

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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BITVESTMENT PARTNERS LLC,

Plaintiff,

-against-

COINLAB, INC., CLI HOLDINGS, INC., ALYDIAN  
INC., PETER VESSENE, and JOHN DOE,

Defendants.  
----- X

13 Civ. 7632 (RWS)

**DECLARATION OF BRYAN REYHANI IN SUPPORT OF  
PLAINTIFF'S PRELIMINARY INJUNCTION**

BRYAN REYHANI declares as follows pursuant to 28 U.S.C. § 1746:

1. I am an attorney duly admitted to practice before the Bar of this Court and am a partner at the law firm Reyhani Nemirovsky LLP, attorneys for Plaintiff in this action.

2. I make this declaration pursuant to Local Rule 6.1(d) and in support of Plaintiff's preliminary injunction continuing the restraints set forth in the second Temporary Restraining Order and requiring Defendant CoinLab Inc. to turn over to Bitvestment's counsel 7,984.006735 bitcoins to be held in escrow pending the conclusion of this matter, and employ best efforts as set forth in the proposed accompanying order or, alternatively, requiring the immediate delivery of the 7,984.006735 bitcoins in Defendants' control to Plaintiff.

3. In support of Plaintiff's Supplemental Memorandum, I attach the following documents:

- (a) Exhibit A: a true and correct copy of the U.S. Bankruptcy Court, Washington State, *In re CLI HOLDINGS, INC. dba ALYDIAN*, No. 13-19746-KAO (“Bankruptcy Proceeding”) Dec. 3, 2013 341 Meeting of Creditors Transcript;
- (b) Exhibit B: a true and correct copy of the Bankruptcy Proceeding January 7, 2014 Rough Transcript of the Deposition of Peter Vessenes;
- (c) Exhibit C: a true and correct copy of the Bankruptcy Proceeding Amended SOFA 3(b) and (c), submitted on January 8, 2014; and
- (d) Exhibit D: a true and correct copy of the Bankruptcy Proceeding *Ex Parte* Motion to Shorten Time, submitted on December 23, 2013.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 9th day of January 2014, New York, New York.

/s/ Bryan I. Reyhani  
Bryan I. Reyhani

# EXHIBIT A

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## UNITED STATES BANKRUPTCY COURT

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## WESTERN DISTRICT OF WASHINGTON AT SEATTLE

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In Re:

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) No. 13-19746-KAO

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CLI HOLDINGS, Inc. d/b/a ALYDIAN,

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Debtor.

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## 341 MEETING OF CREDITORS

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December 3, 2013

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Digitally Recorded Proceedings

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Transcribed by: Marjie Jackson, CETD

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Reed Jackson Watkins

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Court Approved Transcription

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206.624.3005

1 A P P E A R A N C E S

2

3 For the Trustee:

4 MARTIN LESTER SMITH

5 Department of Justice/Office of U.S. Trustee

6 700 Stewart Street, Suite 5103

7 Seattle, Washington 98101

8

9 For CLI Holdings Inc.:

10 DEIRDRE GLYNN LEVIN

11 Keller Rohrbach LLP

12 1201 Third Avenue, Suite 3200

13 Seattle, Washington 98101

14

15 For Bitvestment Partners LLC f/k/a Dalsa Barbour LLC:

16 TEREZA SIMONYAN

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18 1420 Fifth Avenue, Suite 4200

19 Seattle, Washington 98101

20

21 BRYAN REYHANI (telephonically)

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24 New York, New York 10166

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A P P E A R A N C E S (continued)

For Soule Investments, LLC:

DANIEL S. FRIEDBERG  
Riddell Williams PS  
1001 Fourth Avenue, Suite 4500  
Seattle, Washington 98154

ALSO PRESENT:  
Daniel Gallancy, Principal of Bitvestment Partners, LLC

1 December 3, 2013

2 --ooOoo--

3

4 MR. SMITH: Good morning. It's approximately  
5 11 a.m. on Tuesday, December 3rd, 2013. This is the  
6 meeting of creditors being held in the Chapter 11 case of  
7 CLI Holdings, Inc., Case No. 13-19746. The purpose of  
8 today's meeting is to allow the Office of the United  
9 States Trustee and any creditors or their representatives  
10 who are present to ask questions of the Debtor's  
11 representative about the Debtor's prospects for  
12 reorganization and their assets and their liabilities.

13 My name is Martin Smith. I'm a trial attorney  
14 with the Office of the United States Trustee. I'll be  
15 conducting today's meeting, which is also being  
16 electronically recorded, hopefully.

17 I'll let everybody know that on the telephone  
18 listening today is Bryan Reyhani. He will not be  
19 otherwise participating, but he will be listening today.  
20 I believe that representing the Debtor today is Peter  
21 Vessenes.

22 Mr. Vessenes, would you please stand and raise  
23 your right hand? Do you swear the testimony you're about  
24 to give is the truth, the whole truth and nothing but the  
25 truth?

1 MR. VESSENES: Yes.

2 MR. SMITH: Thank you. Please be seated.

3 (Witness sworn.)

4 MR. SMITH: Mr. Vessenes, did CLI Holdings, Inc.  
5 file for Chapter 11?

6 MR. VESSENES: Yes.

7 MR. SMITH: With the assistance of counsel, did  
8 you prepare schedules of assets and liabilities and a  
9 Statement of Financial Affairs?

10 MR. VESSENES: Yes.

11 MR. SMITH: Did you review the schedules and the  
12 statements prior to their being filed with the court?

13 MR. VESSENES: Yes.

14 MR. SMITH: Did you sign them?

15 MR. VESSENES: Yes.

16 MR. SMITH: Were they true and correct to the best  
17 of your knowledge at the time that they were filed.

18 MR. VESSENES: Yes.

19 MR. SMITH: Did they list all the Debtor's assets?

20 MR. VESSENES: I believe so, yes.

21 MR. SMITH: And did they list all the Debtor's  
22 creditors and liabilities?

23 MR. VESSENES: Yes.

24 MR. SMITH: Are there any amendments or omissions  
25 that you need to bring to my attention this morning?

1 MR. VESSENES: Not that I know of.

2 MR. SMITH: Okay. This is a Chapter 11 case, so  
3 just so that you know, if there's sufficient interest of  
4 unsecured creditors, there may be a committee of  
5 unsecured creditors appointed. As of now, we have not  
6 appointed one. That can always change.

7 If everybody has not signed up on the list, I'd  
8 appreciate it if you'd be sure to sign up before you  
9 leave today.

10 MR. SMITH: Mr. Vessenes, I usually like to start  
11 these with a synopsis or summary by the Debtor's  
12 principal as to what the Debtor does and why they filed  
13 for Chapter 11. I understand with the bitcoin -- I'd say  
14 phenomenon, but it seems much more than a phenomenon --  
15 but with the bitcoin industry being where it is, that  
16 that could be a two-hour lecture, so let's avoid that. I  
17 think probably everybody in the room has some  
18 underpinnings for what bitcoins are at this point, but if  
19 you could summarize what the Debtor does and why it filed  
20 for Chapter 11.

21 MR. VESSENES: Sure. So CLI Holdings is a bitcoin  
22 mining company. Mining is the process of looking for  
23 bitcoins, essentially. Bitcoins are a new -- I would  
24 consider them a new asset class, but for purposes of our  
25 consideration, you might think of it like a gold mining

1 company or an oil drilling company or something like  
2 that.

3 MR. SMITH: So virtual currency.

4 MR. VESSENES: Bitcoins are virtual currency;  
5 that's right. And CLI Holdings job is to do the bitcoin  
6 mining, particularly by -- you buy -- you create computer  
7 chips, and the computer chips can look for these  
8 bitcoins. So that's the business model, is you go create  
9 the bitcoin mining equipment. There's chips and there's  
10 computer servers and other things. And then you put them  
11 all together and you put them in hosting, somewhere where  
12 they can be kept cool because they run very hot, and then  
13 you look for bitcoins with them.

14 MR. SMITH: And why did the Debtor file for  
15 Chapter 11 protection?

16 MR. VESSENES: So, we, at the time we filed,  
17 looking at our assets, the liabilities under our  
18 contracts and what we thought the future earnings would  
19 be, we felt that there was no way we could come close to  
20 paying them off, and so we wanted to make sure that all  
21 of our creditors got a fair shake, depending on what  
22 happened.

23 MR. SMITH: And when you say "contracts," are  
24 those the prepaid contracts that there's a motion to  
25 reject those contracts pending?

1 MR. VESSENES: Mm-hmm, yes.

2 MR. SMITH: Okay.

3 MR. SMITH: And, Counsel, is that still set for  
4 the 6th?

5 MS. GLYNN LEVIN: It is.

6 MR. SMITH: And what's the -- and your attorney  
7 can help -- what's the plan going forward for the Chapter  
8 11? What's the intention or the goal of the Chapter 11.

9 MR. VESSENES: So, I don't know precisely. The  
10 market changes very rapidly, as you may know if you have  
11 gotten interested in bitcoins yourself.

12 MR. SMITH: I heard that it's up to 1200-or-so  
13 dollars per bitcoin.

14 MR. VESSENES: It's quite volatile, so yesterday  
15 it was between 735 and a thousand, just in a single day.  
16 So I have no idea what it is right now, but, yeah. In  
17 bitcoin mining returns, there are two markets. There's  
18 the publicized one, which is the dollar value of  
19 bitcoins. And then there's also a less publicized one,  
20 which is how hard it is to find bitcoins themselves, and  
21 that's when bitcoin miners compete against each other.  
22 So there's two sort of areas of uncertainty.

23 Right now, given that we don't know -- well, there  
24 are two possible plans. One is to continue mining while  
25 we work out a plan with our creditors. The other would

1 be if -- the other possibility would be to sell or  
2 auction off the bitcoin mining equipment. And then, of  
3 course, we would I suppose also need to work out a plan  
4 with our creditors at that point.

5 MR. SMITH: How many employees does the Debtor  
6 actually have.

7 MR. VESSENES: Just one, just me.

8 MR. SMITH: And what's your relationship with  
9 CoinLab Inc.?

10 MR. VESSENES: So CoinLab Inc owns 65 percent of  
11 the common stock of CLI Holdings, and it also provides  
12 technology services.

13 MR. SMITH: I think you referred to it as an  
14 incubator in some pleadings.

15 MR. VESSENES: That's right. CoinLab functions as  
16 an incubator, so if there's a business model that looks  
17 interesting, CoinLab will find capital partners, put  
18 talent, management, operational talent and kind of get  
19 things rolling. If the new company -- the strategy is if  
20 the new company then takes off, it will take over more  
21 and more responsibility.

22 MR. SMITH: The company or CoinLab? The company?

23 MR. VESSENES: When I say "company" in that case,  
24 I mean if CoinLab has incubated a new company.

25 MR. SMITH: Okay.

1 MR. VESSENES: Yeah.

2 MR. SMITH: It kind of brings to mind one other  
3 question. In looking at your operations agreement that  
4 appears to have been consummated post-petition --

5 MR. VESSENES: Mm-hmm.

6 MR. SMITH: -- it looks likes CoinLab is doing  
7 everything but flipping the switches, so what does the  
8 Debtor do? What do you do as the employee for the  
9 Debtor?

10 MR. VESSENES: Right now I'm mostly negotiating, I  
11 guess, talking to creditors and talking to people like  
12 you. I'm also -- I'm making decisions along the lines  
13 of: Do we deploy more of these mining systems or not?

14 MR. SMITH: But are you making those decisions --  
15 what's your title with the Debtor?

16 MR. VESSENES: Managing director.

17 MR. SMITH: And you're also -- what's your title  
18 with CoinLab?

19 MR. VESSENES: CEO.

20 MR. SMITH: All right. So when you say "making  
21 those decisions," are you making those decisions on  
22 behalf of CoinLab or are you making those decisions on  
23 behalf of the Debtor, or how do you make a distinction  
24 there or do you?

25 MR. VESSENES: Yeah, I do, absolutely. The

1 decisions that I'm making are on behalf -- any -- all my  
2 decisions around Alydian would be for Alydian's benefit  
3 or the benefit of the estate. So that's how I think  
4 about it, is how to maximize the value for CLI Holdings,  
5 which is doing business as Alydian.

6 MR. SMITH: Don't you also maximize the value of  
7 CoinLab since you're up-straining 10 percent all the  
8 time? It seems like a conflict to me in terms of trying  
9 to make that distinction, because every time you do  
10 anything at the CoinLab level --

11 MR. VESSENES: Yeah.

12 MR. SMITH: -- if I understand the business model  
13 correctly, you turn around and you bill that to the  
14 Debtor plus 10 percent.

15 MR. VESSENES: Yeah. So that 10 percent is not a  
16 significant revenue stream for CoinLab. Alydian -- it's  
17 also a common business practice with incubators. For  
18 instance, Rocket Internet is a very large one in Germany.  
19 They bill their subsidiaries 30 percent for similar  
20 services. I don't -- you know, CoinLab Inc.'s interests  
21 are much greater as a creditor, I would say than --

22 MR. SMITH: Okay.

23 MR. VESSENES: Does that make sense?

24 MR. SMITH: Which is about \$600,000.

25 MR. VESSENES: That's correct, yeah.

1           MR. SMITH: When you bill the Debtor as part of  
2           the management of the contract, are you billing --  
3           because if I understand, again, CoinLab goes out and I'll  
4           use a term I know because I don't know what the proper  
5           term would be -- let's say CoinLab goes out and buys some  
6           additional servers.

7           MR. VESSENES: Okay.

8           MR. SMITH: To then sell those to the Debtor for  
9           mining.

10          MR. VESSENES: Mm-hmm.

11          MR. SMITH: And they invoice the debtor for their  
12          servers plus 10 percent.

13          MR. VESSENES: With a cap.

14          MR. SMITH: With a \$5,000 per invoice.

15          MR. VESSENES: Yeah.

16          MR. SMITH: Is the amount billed for the equipment  
17          at cost or is there also a markup between CoinLab and the  
18          Debtor in terms of the equipment?

19          MR. VESSENES: No, there's no markup at all.

20          MR. SMITH: That's a pure pass-through?

21          MR. VESSENES: Absolutely, yeah.

22          MR. SMITH: Is that true on all the types of  
23          things that CoinLab purchases?

24          MR. VESSENES: Yeah, that's correct. That's  
25          correct. And as a matter of practice, it's much less

1       than 10 percent. So in July or August, a few million  
2       dollars, or a million and a half dollars of parts were  
3       purchased, and those were billed in I think two or three  
4       invoices. So it's, like I said, it's not a profit stream  
5       for CoinLab; it's an administrative fee.

6               MR. SMITH: And then the other equity partner of  
7       the Debtor is XRay Holdings Limited; is that right?

8               MR. VESSENES: Mm-hmm.

9               MR. SMITH: And how did they end up with 35  
10      percent? Were they there at the beginning?

11              MR. VESSENES: Yeah, they were the seed investor  
12      so they put in \$500,000.

13              MR. SMITH: And it looks like in the schedules,  
14      anyway, they're 3 million now, approximately 3 million?

15              MR. VESSENES: Yes.

16              MR. SMITH: So is that additional investment  
17      capital that was put in?

18              MR. VESSENES: That's correct.

19              MR. SMITH: Did their shares increase? Was that a  
20      loan or -- I use the term "investment capital," but was  
21      the rest of that a loan?

22              MR. VESSENES: There were -- when we -- so CoinLab  
23      and XRay put more money in in July or August,  
24      approximately. CoinLab and XRay, there was a capital  
25      call, so CoinLab put in 550,000-or-so dollars and XRay

1 put in its pro rata, I think \$250,000 or so worth. And  
2 that went -- that's capital, that's not debt. And then  
3 XRay loaned money as well, and that part shows up on the  
4 Creditors' Schedule, but not the equity investment.

5 MR. SMITH: So the 3 million is pure loan; that's  
6 not any part of the equity?

7 MR. VESSENES: That's correct. That's correct.

8 MR. SMITH: And the same with the 600,000 for  
9 CoinLab?

10 MR. VESSENES: That's correct, yeah. Those are  
11 all parts that CoinLab had paid for but not been  
12 reimbursed at the time of the filing.

13 MR. SMITH: At this point in time, if I understand  
14 it correctly, the debtor has not generated any income, is  
15 that fair to say? In looking at your Statement of  
16 Financial Affairs, it has zero.

17 MR. VESSENES: We discussed this in our last  
18 meeting. The Debtor is making bitcoins.

19 MS. GLYNN LEVIN: Do you want to refer -- to  
20 explain what meeting you're talking about.

21 MR. SMITH: The meeting with the U.S. Trustee  
22 analyst?

23 MR. VESSENES: With the U.S. Trustee analyst.  
24 Thank you. Sorry about that.

25 MR. SMITH: It's all right.

1           MR. VESSENES: The Debtor is making bitcoin. I  
2 think it's --

3           MR. SMITH: How many per day is the Debtor  
4 generating?

5           MR. VESSENES: Right now about a hundred. It  
6 changes every day, and it goes down over time, but that's  
7 certainly in excess of operating costs right now. We  
8 weren't sure if you call that income or not. It's not  
9 necessarily converted to dollars, so what we agreed at  
10 the analyst's meeting was to just keep track of and  
11 report the bitcoins generated on the separate schedule.

12          MR. SMITH: And how is the Debtor paying CoinLab  
13 on the invoices?

14          MR. VESSENES: CoinLab takes bitcoins. It's  
15 willing to take bitcoins.

16          MR. SMITH: And have all those transactions, at  
17 least to date, been bitcoin transactions or has cash --

18          MR. VESSENES: For some time -- not for quite some  
19 time. The initial \$500,000 equity investment that XRay  
20 Holdings made, Alydian settled -- or CLI Holdings/Alydian  
21 settled originally with dollars for that, but since then  
22 it's been all bitcoins.

23          MR. SMITH: And so how many bitcoins is the Debtor  
24 actually holding at this point in time?

25          MR. VESSENES: I don't have a precise number.

1 MR. SMITH: Not counting today's mining --

2 MR. VESSENES: Yeah. Probably net of bills: 11-  
3 to 1200, maybe more.

4 MR. SMITH: When you say "net of bills," what  
5 bills does the Debtor have other than CoinLab's  
6 invoicing?

7 MR. VESSENES: Just CoinLab, yeah.

8 MR. SMITH: And so those are the -- when you say  
9 "net of bills," the already previously invoiced bills?

10 MR. VESSENES: So there are post-petition bills  
11 for the month of November. They haven't been reconciled  
12 or put into a report yet, so I don't know what those are  
13 precisely, but there's nothing other than that.

14 MR. SMITH: And is your bankruptcy counsel  
15 accepting bitcoins for payment?

16 MR. VESSENES: She wants to.

17 MR. SMITH: I'm wondering how the Debtor is paying  
18 its legal bills.

19 MS. GLYNN LEVIN: We have not accepted bitcoin,  
20 no.

21 MR. SMITH: Okay.

22 MS. GLYNN LEVIN: Yeah.

23 MR. SMITH: Okay. So is the Debtor going to use  
24 the -- is it the Mt. Gox?

25 MR. VESSENES: We wouldn't use Mt. Gox because I

1 don't believe they're solvent.

2 MR. SMITH: Okay. So how --

3 MR. VESSENES: But there are other bitcoin  
4 exchanges.

5 MR. SMITH: So what is the Debtor's intention in  
6 order to get cash out of the bitcoins to pay things like  
7 legal fees?

8 MR. VESSENES: Yeah, there's a very liquid market  
9 and so to the extent we need dollars, we could sell them.  
10 We could sell the bitcoins.

11 MR. SMITH: Other than legal fees, because it  
12 sounds likes you will need cash for that, are there other  
13 expenses the Debtor is incurring that it would need cash  
14 for?

15 MR. VESSENES: The analyst told me you guys  
16 wouldn't take bitcoins.

17 MR. SMITH: We will not take -- so far.

18 MR. VESSENES: So far, so far.

19 MR. SMITH: Being the progressive organization  
20 that the U.S. Federal Government is, as I've heard the  
21 treasury secretary discussing bitcoins on C-Span not too  
22 long ago, who knows?

23 MR. VESSENES: Yeah, you never know. So I think  
24 other than our fees here, I'm not aware of any others.

25 MR. SMITH: So just the quarterly fees and the

1 legal fees at this point?

2 MR. VESSENES: I believe so, yeah.

3 MR. SMITH: In terms of generating revenue at the  
4 Debtor's level, how does it do that? So you have the  
5 mining activity, so the magic bitcoins pop up. How else  
6 does the Debtor, if at all, how does it generate revenue?

7 MR. VESSENES: I think the only other way we  
8 could, presuming that that's revenue, again my CPAs --

9 MR. SMITH: Right.

10 MR. VESSENES: -- argue over that.

11 MR. SMITH: Right, as opposed to asset  
12 accumulation or something else.

13 MR. VESSENES: Exactly, exactly. I think it would  
14 be just to sell the hardware. The bitcoin mining  
15 hardware itself could be sold or auctioned. And those  
16 are the only two ways I can think of.

17 MR. SMITH: I've read in the literature that you  
18 also generate or "you," generically in the industry  
19 generate revenue through the transactions. So if you go  
20 out and you modify the block chain, does that generate  
21 income?

22 MR. VESSENES: So when one -- can I have two  
23 minutes to explain?

24 MR. SMITH: Yeah. I just get confused when I'm  
25 trying to distinguish, if I should distinguish, between

1 the actual mining activity that generates the bitcoins  
2 versus the mining activity transactional side.

3 MR. VESSENES: It's a great. It's --

4 MR. SMITH: So if you could help me understand  
5 that.

6 MR. VESSENES: I can. It's an astute question.  
7 Let's reframe mining for a second as time stamping, and  
8 then to take two more sentences on it, if you're going to  
9 have a money system, you need secure time stamping  
10 because you need to know when someone had something,  
11 right? And cash, we know because we all, like, live in  
12 time. At a bank, we know because the bank keeps track of  
13 when your checks are presented for settlement or the wire  
14 came in.

15 The way the bitcoin network keeps track is by  
16 mining. And when a miner finds a block about every ten  
17 minutes, they time stamp it. Now, what's in a block is  
18 all the transactions that are approved for that time  
19 period. And those transactions can pay fees. They can  
20 offer up fees for being included, so there's a little  
21 transactional market.

22 The bitcoin network itself pays miners something  
23 for security; right now 25 bitcoins. And then it adds  
24 in, kind of underneath that, all the transactional fees  
25 the miner has chosen to include. So when we say, "You

1 get 25 bitcoins per block you mine," that's kind of a --  
2 it's a summary for simplistic conversation. In reality  
3 it varies.

4 MR. SMITH: Depending on the transactional fees on  
5 both sides?

6 MR. VESSENES: Precisely. You know, right now on  
7 average that's another .05, .1 bitcoins per block. So I  
8 might have mined a block yesterday that got 25.124, and  
9 today I won that as 25.023 or something, but we round  
10 them when we talk. And it's not a different activity for  
11 the bitcoin miner to take those fees; it's just part of  
12 their process of securing and time stamping the network.

13 MR. SMITH: So if you look at the bitcoins as  
14 asset accumulation, then that's just an additional --

15 MR. VESSENES: It's additional assets accumulated.

16 MR. SMITH: -- assets that you're accumulating?

17 MR. VESSENES: It, in fact, comes in the same --  
18 there's a sort of a "Here are your bitcoins" transaction  
19 for miners, and it's all melded together. It's not even  
20 like there's a 25 in transactional fees. It's "Here's  
21 25.024, it's all yours." It's all one thing.

22 MR. SMITH: Okay. So there aren't additional  
23 revenue streams or bitcoin streams if, for example, you  
24 were fulfilling your prepaid contracts, which we know is  
25 a big issue in this case, but let's just take one of

1       them. And you went and you fulfilled that, and so you  
2       were transferring the bitcoins pursuant to that contract.

3               MR. VESSENES: Sure.

4               MR. SMITH: So that block -- portion of the block  
5       needs to be modified. Would you get paid for going out  
6       as the miner and putting a different address in there or  
7       whatever technically happens to show the change in  
8       ownership?

9               MR. VESSENES: Yeah, we might be using some  
10      different language.

11              MR. SMITH: Oh, I'm sure we are.

12              MR. VESSENES: So if I'm the owner of some  
13      bitcoins and I want to send them to someone, I will  
14      author a transaction. It's a little computer program.  
15      Your phone could do it or some other computer could do  
16      it. The transaction says -- it's a lot like a check but  
17      with some extra rules. You say: I, the owner of these  
18      bitcoin addresses, do hereby instruct the bitcoin network  
19      to send so many here; and if there's any left over, here;  
20      and if there's any left over from that, give it to the  
21      miner as a fee for this transaction.

22              MR. SMITH: Okay.

23              MR. VESSENES: That's, you know, a couple hundred  
24      characters. It's very small. You don't need to mine to  
25      author that transaction.

1           MR. SMITH: So there is a revenue stream, a fee  
2           potentially involved in completing that transaction, when  
3           you said "the fee to the miner."

4           MR. VESSENES: Yeah. Whoever includes that one  
5           transaction into a bitcoin block will be paid the  
6           transactional fee.

7           MR. SMITH: Okay.

8           MR. VESSENES: If you happen to be the miner who  
9           puts it in, you'll get that fee back, but it could be  
10          another party.

11          MR. SMITH: But it would apply to any bitcoins  
12          that the debtor is transferring ownership to.

13          MR. VESSENES: It would not be revenue. It would  
14          actually be an expense. So if I were to send you --

15          MR. SMITH: Well, let's put it in pragmatic terms.  
16          When you -- I have to be careful because you're on both  
17          sides of these transactions when I describe them. When  
18          the Debtor pays CoinLab for one of the invoices and does  
19          it using bitcoin, is there a transactional payment to the  
20          Debtor for securing the block, making the changes?

21          MR. VESSENES: Good question. So the Debtor --

22          MR. SMITH: Or does it just reduce the amount of  
23          the bitcoin that go across the table?

24          MR. VESSENES: So, first, that's a good question.  
25          The Debtor will pay a tiny bit. And by "tiny," I mean

1 currently .0001 bitcoins or so to have the transaction  
2 included in a block.

3 MR. SMITH: Okay. So the sender --

4 MR. VESSENES: That's an expense the sender pays.

5 MR. SMITH: -- the sender pays, not the receiver.

6 MR. VESSENES: That's correct.

7 MR. SMITH: Okay.

8 MR. VESSENES: So what is that currently, 10 cents  
9 or something? That ten cents is an expense kind of like  
10 a bank fee that goes to the sender. The person who  
11 receives that does not receive that 10 cents necessarily.  
12 And CoinLab does not mine. It doesn't have any mining.  
13 So someone out there mining will get that 10 cents. It  
14 might be Holdings --

15 MR. SMITH: But the Debtor would have mined that  
16 bitcoin, so as the miner, wouldn't the Debtor get that?

17 MR. VESSENES: No, the miner -- no. So the miner  
18 would have mined, say, let's say I'm -- let's say Alydian  
19 is going to pay someone 25 bitcoins. It mines --

20 MR. SMITH: That it mined?

21 MR. VESSENES: That's all it has, yeah.

22 MR. SMITH: Okay.

23 MR. VESSENES: Yeah. So it mines a block with  
24 25.2 bitcoins in it. It sends 25 to whomever it owes the  
25 25 bitcoins to. It's got .2 left over. It will use

1 .00 -- let's call it .001 of that for a fee. It will  
2 then have .199 bitcoins left over. And that's it. So  
3 the money -- .001 went to a fee. If the Debtor happened  
4 to mine the next block that had that fee in it, it would  
5 get it back.

6 MR. SMITH: Okay.

7 MR. VESSENES: But it's not guaranteed. There are  
8 about 144 blocks a day that are mined, and the Debtor is  
9 mining about 4, give or take.

10 MR. SMITH: So it doesn't sound like there's any  
11 scenario where it's going to be material.

12 MR. VESSENES: I don't think it's material.

13 MR. SMITH: Material for the Debtor.

14 MR. VESSENES: I don't think so.

15 MR. SMITH: All right. And are there any other  
16 activities or potential revenue sources other than what  
17 we've talked about and the selling of the equipment  
18 ultimately?

19 MR. VESSENES: No.

20 MR. SMITH: On your bankruptcy schedules on  
21 Schedule B, you have current value of parts of  
22 manufacturing as approximately 1.3 million, and then you  
23 have the six deployed systems at approximately \$379,000.  
24 How did you arrive at those values? Is that cost or  
25 something else?

1 MR. VESSENES: It's cost.

2 MR. SMITH: Okay. And all the equipment has been  
3 purchased or otherwise received by the Debtor in the last  
4 year and a half or so?

5 MR. VESSENES: That's correct.

6 MR. SMITH: What do you think it would actually  
7 sell for if you had to liquidate it? Do you have any  
8 sense of that?

9 MR. VESSENES: It's hard to say. There are  
10 real-time -- I was just looking at this over the  
11 weekend -- there are real-time markets for this equipment  
12 or the output of this equipment. Over the weekend, each  
13 system -- so I should preface this and say these markets  
14 are not liquid and you cannot sell a lot into them, so we  
15 have a lot more than we could easily analyze what the  
16 market could move. But if one were able to sell at the  
17 market rates, one system would be worth approximately  
18 \$420,000.

19 Now, I do not believe a system will ever generate  
20 anything like that, and that's one reason that selling  
21 them seems appealing because I think it would inure more  
22 benefit to the estate. However, it's not -- you know,  
23 there's not a -- I think the only way, really, to know  
24 what they're worth would be to auction them off.

25 MR. SMITH: I guess I was a little confused by the

1       answer in the sense that, if I heard you right, you said  
2       one system could sell for over \$400,000.

3               MR. VESSENES: Mm-hmm, yeah.

4               MR. SMITH: You've got six systems and the value  
5       for all six is 379,000.

6               MR. VESSENES: Right. So that was our parts cost  
7       for those systems, and the market is valuing them at more  
8       right now.

9               MR. SMITH: All right. So that's not the market  
10      value of the systems; that's just the broken-down parts.

11              MR. VESSENES: It's like the cost base, yeah. And  
12      I really -- there's not a good market for this equipment  
13      where we could get a simple assessment, but the most  
14      recent ones I have I gave you.

15              MR. SMITH: Okay. And I wanted to confirm there  
16      are no security interests in any of that equipment; is  
17      that right?

18              MR. VESSENES: Is that true? What does that mean?

19              MS. GLYNN LEVIN: That's --

20              MR. VESSENES: No one has preferred that --

21              MS. GLYNN LEVIN: Not preferred, but secured.

22              MR. VESSENES: Yeah. No, that's correct.

23              MR. SMITH: Okay. So CoinLab went out and bought  
24      all the stuff?

25              MR. VESSENES: Yes.

1 MR. SMITH: And then sold it to the Debtor --

2 MR. VESSENES: Yes.

3 MR. SMITH: -- with the invoicing system.

4 MR. VESSENES: Yes.

5 MR. SMITH: And CoinLab did not take a security  
6 interest or anything in it?

7 MR. VESSENES: No.

8 MR. SMITH: All of these, all of the presale  
9 services agreements, I haven't looked at them, but are  
10 they -- is the Debtor the party to those or is CoinLab  
11 that's the party to those?

12 MR. VESSENES: There is one with Dalsa Barbour,  
13 LLC where both the Debtor and CoinLab are parties. The  
14 rest are all the Debtor.

15 MR. SMITH: When I looked at the Statement of  
16 Financial Affairs No. 3, I just want to confirm, it's got  
17 all these relatively large payments that have occurred  
18 between the Debtor and CoinLab. And I think you  
19 testified that while these are dollar equivalents, those  
20 are mark-to-market the day of the transaction for  
21 bitcoins, so those were all bitcoin transactions? Is  
22 that right? So, for example, October 30th, \$580,809?

23 MR. VESSENES: I believe that those -- I'm not  
24 prepared to, you know, I'd have to go back and look  
25 through our accounting but I believe those were all --

1       could have been remitted in bitcoin on that list.

2               MR. SMITH: It shows a \$10,000 payment to Keller  
3 Rohrbach.

4               MS. GLYNN LEVIN: Where are you looking at,  
5 Martin?

6               MR. SMITH: I'm on Statement of Financial Affairs  
7 No. 9, so the \$10,000, it says payer was CoinLab. So how  
8 do you characterize that transaction? Is that a loan to  
9 the Debtor or is that something else?

10              MR. VESSENES: I don't know. I think I would --  
11 I'm not sure. I would wait for her to opine. I don't  
12 fully understand if it's pre- or post-petition or...

13              MR. SMITH: Well, it's not about being pre- or  
14 post-petition to me. It's what CoinLab's expectations  
15 are. Is that a capital contribution? Is that a loan?  
16 Is that something that CoinLab --

17              MR. VESSENES: Good question.

18              MR. SMITH: -- is there a promissory note between  
19 the Debtor and CoinLab?

20              MR. VESSENES: There isn't. Again, I just  
21 don't -- CoinLab would love to have that money back. I'm  
22 not sure I understand --

23              MR. SMITH: Okay.

24              MR. VESSENES: -- what the right characterization  
25 would be.

1 MR. SMITH: And then in the file, there's this  
2 operating budget. I'm not sure, did you generate this?

3 MR. VESSENES: No.

4 MR. SMITH: Who generated this?

5 MR. VESSENES: Jodie Brady generated it.

6 MR. SMITH: Okay.

7 MS. GLYNN LEVIN: Well, yeah --

8 MR. VESSENES: I'm sorry. Go ahead.

9 MS. GLYNN LEVIN: I think when he asked, did you  
10 generate this, did you mean Peter personally or did you  
11 mean --

12 MR. SMITH: Actually, I did, but --

13 MS. GLYNN LEVIN: Did you? Okay.

14 MR. VESSENES: I was intuiting the question.

15 MS. GLYNN LEVIN: Just give me a chance to find  
16 that in my notebook here.

17 MR. SMITH: Okay. I'm not sure what it was  
18 attached to. I just found it in our file separately.

19 MR. VESSENES: It was a separate filing.

20 MS. GLYNN LEVIN: So --

21 MR. SMITH: So this was in place of Schedule I and  
22 J.

23 MS. GLYNN LEVIN: That's correct. Schedule I and  
24 J, while the operating expenses were a little easier to  
25 come up with, the first line I think is the substitute,

1 if you will, for the income forecast, which is  
2 Schedule I, I believe.

3 MR. SMITH: Okay. Just not without evaluation  
4 since it's fluctuating so much.

5 MR. VESSENES: Yeah.

6 MR. SMITH: All right. So I wanted to be -- I  
7 assume it is a typo, that I'll cross out the first line.  
8 It says January and February, 2013?

9 MR. VESSENES: That is a typo.

10 MR. SMITH: Okay. So that should be 2014. And  
11 then when I come down for project management, and you  
12 have the note, "assumes all employees supporting Alydian  
13 are terminated with the exception of two engineers to  
14 maintain systems."

15 Can you explain that?

16 MR. VESSENES: Sure. So right now, there are a  
17 lot of people working on the Alydian project. There are  
18 parts to assemble and test and ship around the country to  
19 data centers.

20 MR. SMITH: But they're all CoinLab employees,  
21 correct?

22 MR. VESSENES: That's right, but they're  
23 contracted specifically for Alydian.

24 MR. SMITH: So are they contracting with, and I'm  
25 going to use the term "Debtor" because I understand

1 Alydian is a dba.

2 MR. VESSENES: I'm sorry. I use that as a dba for  
3 Holdings, I'm sorry.

4 MR. SMITH: But it's not the Debtor CLI Holdings,  
5 so let's just stick with the Debtor. So those are  
6 subcontractors or independent contractors?

7 MR. VESSENES: They've contracted not with the  
8 Debtor, but with CoinLab.

9 MR. SMITH: Okay. So all those are contracted  
10 with CoinLab?

11 MR. VESSENES: That's correct.

12 MR. SMITH: Okay.

13 MR. VESSENES: And once all of the systems are  
14 running, it takes far fewer people to manage them than it  
15 did to assemble and test and do all of those things.

16 MR. SMITH: So that would be, in addition to the  
17 six operating systems currently, that would be once all  
18 those other parts that you list in Schedule B, once those  
19 become systems --

20 MR. VESSENES: That's correct.

21 MR. SMITH: -- you would anticipate that most  
22 everybody, except two of the CoinLab workers associated  
23 with the systems, would be let go?

24 MR. VESSENES: Yes, provided Alydian decides not  
25 to keep building the coin mining equipment, which is

1       certainly the plan right now, is to stop building more.  
2       In that world, you need maintenance employees but you  
3       don't need more.

4               MR. SMITH: And when do you anticipate that the  
5       new systems will be deployed?

6               MR. VESSENES: So they have been deployed  
7       throughout November.

8               MR. SMITH: So what are we up to now, instead of  
9       six?

10              MR. VESSENES: Roughly 16, something like that.

11              MR. SMITH: And what's the goal? How many will  
12       you be deploying?

13              MR. VESSENES: Probably 30, 32, something like  
14       that, depending on how many parts we have.

15              MR. SMITH: Okay. Without the purchase of  
16       additional parts, correct?

17              MR. VESSENES: That is correct. There may be some  
18       very small parts needed to be purchased, like screws or  
19       steel casings, but that's just -- that's deploying the  
20       inventory that's already been purchased.

21              MR. SMITH: So you're halfway there in terms of  
22       deployment --

23              MR. VESSENES: That's correct.

24              MR. SMITH: -- of what you have already purchased  
25       or what the Debtor has already purchased?

1 MR. VESSENES: That's correct, yeah.

2 MR. SMITH: And when are you going to hit that 30  
3 or 32, do you think?

4 MR. VESSENES: I ask all the time. I don't know.  
5 I mean, they're deploying, for instance, three systems  
6 today. The next large tranche of systems will go into a  
7 new data center, like the one that we're in now doesn't  
8 have more space, so that tends to be slower. Their  
9 engineers will have to get up to speed on what's  
10 happening. I think here we're assuming by end of  
11 December that will be done.

12 MR. SMITH: All right. And my only other question  
13 for right now is, again, it's a theoretical kind of thing  
14 to help me a little bit as the case goes forward, and  
15 help Thomas, is you use a description in some of your  
16 writings that this is like a lottery.

17 MR. VESSENES: Mm-hmm.

18 MR. SMITH: When I first started reading about  
19 this, I was more under the impression that if you had the  
20 computer power and the computers were doing their job,  
21 you would end up with bitcoin.

22 MR. VESSENES: Mm-hmm.

23 MR. SMITH: Your description makes it sound like  
24 you could do all the work in the world and never end up  
25 with any bitcoin because you aren't the one with the

1 lottery ticket.

2 MR. VESSENES: Mm-hmm.

3 MR. SMITH: So can you clarify?

4 MR. VESSENES: I can. It is like getting lucky,  
5 rolling dice or getting very lucky flipping coins.

6 However, you do a lot of flips, so --

7 MR. SMITH: But so does everybody else.

8 MR. VESSENES: So does everyone else. So if you  
9 have -- so the way I think of it is, what percent chance  
10 you have to find a given block compared to everyone else?  
11 And to do that, you divide your own mining capacity by  
12 everyone else's mining capacity, or by everyone's  
13 capacity. CoinLab has about -- or I'm sorry, Alydian  
14 or --

15 MR. SMITH: The Debtor.

16 MR. VESSENES: -- CoinLab Inc./Holdings, the  
17 Debtor, has about a hundred terra-hashes, and the rest of  
18 the network has about, call it 6,000 total terra-hashes.  
19 So you can say that you have a 1 in 60 chance of finding  
20 a block.

21 MR. SMITH: All else being equal.

22 MR. VESSENES: Yeah. And it essentially is I  
23 think for this calculation. So every ten minutes you  
24 flip your 1-in-60 coin or die. If it comes up heads,  
25 you're good. If it's not, you do it again the next time.

1 And so on average over a course of a day, that means you  
2 get about four blocks, but it's not that unlikely you'd  
3 get zero. And it's not that unlikely you'd get six or  
4 seven or eight. And so an average over time, you'll see,  
5 you know, that you've about got what you expected.

6 MR. SMITH: So it is a probability theorem. So  
7 eventually the idea is that it should equal out to your  
8 percentage --

9 MR. VESSENES: Just like if you flipped --

10 MR. SMITH: -- of the hashes, but --

11 MR. VESSENES: Exactly.

12 MR. SMITH: -- that depends on the time frame that  
13 you're talking about. So if you're in a shorter time  
14 frame like, for example, if the Debtor were going to sell  
15 all its equipment in six months, it may have  
16 significantly less or more than what its probability says  
17 it should have.

18 MR. VESSENES: I think over that time frame you'll  
19 be very close.

20 MR. SMITH: That's a long enough time frame that  
21 it evens out.

22 MR. VESSENES: Even a few weeks is plenty for  
23 evenness. That said, right now, the Debtor is mining  
24 with what's called a bitcoin mining pool. And there are  
25 companies that provide the financial product of getting

1        rid of that risk for you in exchange for a small fee.

2        And so it's mining with a pool that charges, I don't

3        know, it's a 1 or 2 percent fee, and in exchange it

4        completely, basically, almost totally evens out your

5        earnings. And so we have sometimes mined on our own and

6        taken that risk as the Debtor and sometimes we have gone

7        with a pool.

8                And so, but that said, I mean, the kind of

9        luckiness, how lucky you got is going to be measured over

10       a period of a week or two. It will tend to be fairly

11       even.

12               MR. SMITH: And the process of participating in

13       the pool to minimize the risk, is that pursuant to a

14       written agreement?

15               MR. VESSENES: It's not. There's no contract.

16       You just turn on your account and go.

17               MR. SMITH: Okay. And there are costs associated

18       with that?

19               MR. VESSENES: There are; although the way they

20       look you just accumulate less assets. They don't even

21       have a fee they show you; they just tell you you made

22       this.

23               MR. SMITH: All right. At this point, those are

24       all my questions, so I will open up the floor if you have

25       questions. You can stay where you are or you can come up

1 to the front desk. I just ask that you identify who you  
2 are and who you represent, and then speak up so that  
3 hopefully the recording will capture your questions and  
4 the answers.

5 I will say, as an overarching comment, that I  
6 understand there is litigation ongoing in the case, and  
7 this 341 will not be a substitute for a deposition or a  
8 2004 exam, so in that context if you could frame your  
9 questions.

10 MS. SIMONYAN: We understand that. Thank you.

11 MR. SMITH: Thank you.

12 MR. GALLANCY: Yes, sir.

13 MS. SIMONYAN: For the record, Tereza Simonyan on  
14 behalf of Bitvestment Partners, LLC.

15 MR. GALLANCY: And I'm Daniel Gallancy. I'm the  
16 principal of Bitvestment Partners.

17 MR. SMITH: All right. And you have a deep voice.  
18 I'm afraid it's not going to get captured great, so if  
19 you could speak up because the only microphone is over  
20 here.

21 MR. GALLANCY: Yes, sir. Yes, sir.

22 MR. SMITH: Thank you.

23 MR. GALLANCY: Okay. So thank for taking the time  
24 to answer these questions. I just wanted to clarify some  
25 of the things that were discussed already. I think you

1 mentioned that there are 16 systems deployed currently.

2 When you say a system, are you referring to a six  
3 terra-hash system, is that approximately correct?

4 MR. VESSENES: I have a question for the trustee.

5 MR. SMITH: Actually, I'm an attorney for the U.S.  
6 Trustee.

7 MR. VESSENES: Oh, I'm sorry.

8 MR. SMITH: I need to make a distinction. I'm not  
9 a trustee.

10 MR. VESSENES: Do you wish me to just answer  
11 technical questions directly or --

12 MR. SMITH: You should answer all of his questions  
13 directly unless you guys get in a dispute or I think it's  
14 crossing the line in terms of deposition testimony --

15 MR. GALLANCY: I don't think we're going --

16 MR. SMITH: -- then I'll jump in.

17 MR. GALLANCY: I don't think we're going to --

18 MR. SMITH: I'm just saying, other than that --

19 MR. VESSENES: Okay, that's fine.

20 MR. SMITH: -- he's free to ask you questions,  
21 anything about assets and liabilities or operations of  
22 the Debtor or its relationships with other parties.

23 MR. VESSENES: And we can talk nerd, is my  
24 question.

25 MR. SMITH: And you answer him directly.

1 MR. VESSENES: Okay, all right.

2 MS. GLYNN LEVIN: Just one thing. Make sure that  
3 he finishes his question before you answer so that the  
4 recording system can get --

5 MR. VESSENES: No problem at all.

6 MR. SMITH: That will help if anybody wants to end  
7 up getting the transcript.

8 MR. VESSENES: A system is six cages. Each cage  
9 is approximately a terra-hash. They may, if they're  
10 better cooled, run a little more quickly.

11 MR. GALLANCY: Sure.

12 MR. VESSENES: If they have boards that are out,  
13 may run more slowly.

14 MR. GALLANCY: Okay, got it. Makes sense. And  
15 the cost per terra-hash at this point for those systems  
16 deployed is -- or if you want to do it on a cost-per-cage  
17 basis, can you provide that value?

18 MR. VESSENES: It really varies, so I can't  
19 without some preparation. The early ones cost a lot  
20 because there were rushed parts.

21 MR. GALLANCY: Right. The later ones cost less.  
22 So, yeah, I don't know. I really don't know exactly what  
23 they cost.

24 MR. GALLANCY: Okay, got it. But you had -- just  
25 to make sure, the number that you'd provided before was

1       marked at cost, so one way to think about it would be for  
2       me to just divide that number by the number of systems,  
3       that would give me a cost per system for the earlier  
4       systems, right?

5               MR. VESSENES: I think so, yeah.

6               MR. GALLANCY: Okay, very good. So just a couple  
7       of questions about mining addresses here. I understand  
8       that there are a couple addresses at which Alydian is  
9       mining. Can you tell me what those addresses are? I  
10      have some printouts, but I don't know if you -- if there  
11      are other addresses, maybe it's best if you just list  
12      them.

13              MR. VESSENES: I can't tell you what mining  
14      addresses --

15              MR. GALLANCY: Okay. I can show you the addresses  
16      that I have, and it's one that starts with 18aQ.

17              MS. SIMONYAN: I can give you a copy.

18              MR. GALLANCY: I'm happy to give you a copy.

19              MS. SIMONYAN: Is this it?

20              MR. GALLANCY: Yeah, the 18aQ address.

21              MS. SIMONYAN: I have a copy for you.

22              MR. GALLANCY: Right. And then there's another  
23      one that is 1g3c.

24              MR. VESSENES: I'm just not prepared to talk to  
25      these. They look familiar, but I'm not -- I'm under oath

1       so if you -- if for some reason we need a list of  
2       addresses that the Debtor is mining to, that's okay. I'm  
3       happy to provide those, but I don't want to rep to it  
4       here in the meeting.

5               MR. SMITH: You should testify from personal  
6       knowledge, so if you recognize those addresses as the  
7       Debtor's, you should say so. And if you don't recognize  
8       them, then you should say so.

9               MR. VESSENE: And for your reference, these are  
10      the addresses. They look familiar but I can't promise  
11      that those are correct. There's a very long string of  
12      numbers.

13              MR. GALLANCY: There's one more. There is leGh.  
14      If you can --

15              MS. SIMONYAN: So this is the second one.

16              MR. GALLANCY: There are three in total.

17              MR. SMITH: If you want to just look at those to  
18      see whether you happen to remember those strings.

19              MS. SIMONYAN: And this is the third.

20              MR. VESSENE: Yeah, I don't know. They might be.

21              MS. SIMONYAN: If I may interject, I spoke with  
22      Mr. Buford and I understand that he had instructed that  
23      the Debtor come prepared because these are sort of  
24      equivalent of bank accounts where the bitcoins are  
25      stored, bitcoins owned by the estate, so if you are

1       unable to testify today, would Counsel be able to provide  
2       this information by the end of the week?

3               MS. GLYNN LEVIN: Which information, specifically?  
4       If you send me a letter, I'm happy to --

5               MS. SIMONYAN: The information where --

6               MS. GLYNN LEVIN: Let me finish so it's on the  
7       record.

8               MS. SIMONYAN: Okay.

9               MS. GLYNN LEVIN: First of all, I don't know what  
10       conversation you had with Mr. Buford. I don't know. I  
11       didn't have any specific conversations with him about  
12       preparing my client for today other than for the standard  
13       341 questions. We weren't asked to produce anything  
14       additionally for today, but if you have specific  
15       questions, I'm certainly happy to provide that with some  
16       informal discovery. I cannot promise it's going to be by  
17       the end of the week but I will certainly make the best  
18       effort to get it out to you in a reasonable time.

19              MR. SMITH: Well, let me jump in because this is  
20       an important issue here. If I understand the concept  
21       that the addresses are, in fact, like checking accounts,  
22       essentially, and obviously Schedule B, which would  
23       normally capture checking accounts and financial  
24       accounts, wouldn't capture this type of information. So  
25       what I would request is that the Debtor provide a list of

1 all addresses that it has mined under or that it has been  
2 associated with in the last -- that it currently has and  
3 that it has used in the last year, if that's different.

4 MR. VESSENES: Okay. And that's no problem.

5 It's --

6 MR. SMITH: I mean, I would think you would have  
7 that at your fingertips back at the office, as it were.

8 MR. VESSENES: One of the complexities is that  
9 it's common practice to associate, unlike a checking  
10 account, associate a single address with a single  
11 transaction, so Alydian has, call it maybe 100,000  
12 addresses, that it's generated and might use. Now --

13 MR. SMITH: I don't want a list of 100,000.

14 MR. VESSENES: I'm sure you don't and I didn't  
15 want to --

16 MR. SMITH: So are they grouped into an  
17 overarching address and then you have sub-addresses?

18 MR. VESSENES: No, they're each separate. And one  
19 of the reasons is for financial privacy. Once this is  
20 known, anyone can audit and that's one reason they're  
21 interested in these. They want to --

22 MR. SMITH: Of course. They want to know if the  
23 Debtor is hiding bitcoins in other addresses --

24 MR. VESSENES: Precisely.

25 MR. SMITH: -- which is a very fair question in

1 Chapter 11.

2 MR. VESSENES: I totally agree. What I can easily  
3 do is provide all the bitcoins that the Debtor has used  
4 to transact so far, or mined to. There's a matter of,  
5 often when you transact, you kind of pull one off the  
6 stack and then use it and then you're done with it.

7 MR. GALLANCY: So would each bitcoin be associated  
8 with a different address?

9 MR. VESSENES: No, not precisely. So there would  
10 be maybe, it could be a fraction of a bitcoin or quite a  
11 lot of them in one address. So I guess what I would  
12 suggest is that we provide a list of addresses that the  
13 Debtor is in control of, maybe, that we could start with  
14 those that have current balances at all so that --

15 MR. SMITH: What are you looking for? And I can  
16 help a little here because I think it is kind of critical  
17 to what assets the Debtor has or should have, but are you  
18 looking for a list of 100,000 addresses?

19 MS. SIMONYAN: Well, if the Debtor has used  
20 100,000 addresses to store and transfer bitcoins in and  
21 out of, then, yes, we need to have that information.  
22 That's all property of the estate. We don't know what  
23 those transfers are. You know, there are concerns about  
24 preferential or fraudulent transfers. If the Debtor has  
25 been in control of 100,000 addresses, then we need to

1 have that information, yes.

2 MR. GALLANCY: And, sir, if I may interject, just  
3 to get back to the nerd speak for a minute here, from my  
4 understanding, you know, of course, in pooled mining,  
5 there can be many inputs, so many sort of input  
6 addresses, but generally you're mining to one specific  
7 output address, so this printout that I brought over with  
8 this 18a address is, from my understanding, an address at  
9 which Alydian is mining and that's where they're  
10 receiving the coins. So if there are indeed 100,000 such  
11 addresses, then, yes, we would indeed request them, but I  
12 would be surprised if the request ended up being so  
13 onerous as to require that many.

14 MR. VESSENES: Well, I'm not saying it's onerous.  
15 And the mining pool we mine at right now delivers to one  
16 address, and so that's merely trivial to confirm.

17 MR. GALLANCY: That's really, I think, what we're  
18 trying to get at here, is the addresses at which the  
19 bitcoins are being delivered to the Debtor.

20 MR. VESSENES: And I understand we need a list  
21 of --

22 MR. SMITH: Okay.

23 MR. VESSENES: -- the locations of all of them.  
24 That's fine. I just, you know, want to make sure you  
25 understand what you're asking for.

1           MR. SMITH: So how about you provide that list to  
2 my office and to counsel and then -- as you understand  
3 it. And if that's not satisfactory and you need  
4 something additional, you'll have to get it through your  
5 normal processes.

6           MR. GALLANCY: Right. So there was a follow-on  
7 question that I think is relevant here, just to be clear.  
8 Does the Debtor and the parent company CoinLab, is there  
9 any commingling of bitcoins or are they segregated by  
10 address so anything that was --

11           MR. VESSENE: No, they're not commingled.

12           MS. GLYNN LEVIN: Just a second. First of all,  
13 can you clarify what you mean by "parent company"?

14           MS. SIMONYAN: CoinLab.

15           MS. GLYNN LEVIN: What parent company?

16           MR. GALLANCY: CoinLab Incorporated, the majority  
17 owner and the majority equity holder in Alydian.

18           MS. GLYNN LEVIN: Okay. I don't want to split  
19 hairs and you're not an attorney, but that doesn't make  
20 it a parent company so maybe you could just talk about  
21 the names of the company --

22           MR. GALLANCY: Sure, absolutely. I'd be glad to.

23           MS. SIMONYAN: Just use the names of the --

24           MR. GALLANCY: I would be glad to. I think you  
25 were about to answer -- you were about to answer the

1 question. I was going to ask if there was any  
2 commingling of bitcoins between Alydian and CoinLab at  
3 any addresses.

4 MR. VESSENES: No.

5 MR. GALLANCY: There's not, so they are  
6 segregated?

7 MR. VESSENES: They're totally segregated.

8 MR. GALLANCY: Got it.

9 MR. SMITH: And the only other thing I would  
10 interject is, if there are confidentiality or propriety  
11 confidential information issues, those need to be  
12 addressed. You know, you're litigants at this point. I  
13 don't know. Are there any issues with --

14 MR. VESSENES: There are some.

15 MR. SMITH: -- providing addresses that --

16 MR. VESSENES: So there are physical threats.

17 Some of the addresses in the investments lawsuit in New  
18 York that they mention have enough coins that there is a  
19 worry that I am a kidnap or ransom risk. And they have  
20 tried to ask how much I own personally under testimony  
21 and so on. So I think those are things that I think  
22 should be confidential, not from a bankruptcy proceeding  
23 but in general, I think that --

24 MR. SMITH: Okay.

25 MR. VESSENES: Those are real worries that --

1           MR. SMITH: I just want to raise it so that if  
2           those issues are underneath this, you don't hit a log jam  
3           in terms of, once you think about it, saying, well,  
4           you're going to have to sign a confidentiality agreement  
5           or some other document before we will provide those and  
6           just raising it now to think about.

7           MR. GALLANCY: If I may, I certainly don't think  
8           any of the parties involved in any of the lawsuits have  
9           threatened to kidnap anybody, and this is sort of the  
10          same thing as any debtor disclosing assets, so if there  
11          were any particular debtor that had a --

12          MR. SMITH: As somebody who doesn't understand the  
13          system very well --

14          MR. GALLANCY: Right.

15          MR. SMITH: -- I just wanted to be sure that there  
16          wasn't a --

17          MR. GALLANCY: Sure.

18          MR. SMITH: -- risk to the chain or something else  
19          by making public all the actual addresses.

20          MR. GALLANCY: As a creditor, I don't believe  
21          there is any risk to the chain.

22          MR. SMITH: Okay.

23          MR. GALLANCY: I do want to ask about some of the  
24          transfers that have occurred, whether or not we can  
25          discuss the addresses in particular.

1 MR. SMITH: And before you go there, the documents  
2 that I passed over there, do you need those back?

3 MR. GALLANCY: No, you can keep --

4 MS. SIMONYAN: No, we don't.

5 MR. SMITH: Because I passed all of those --

6 MR. GALLANCY: No, no. Please do keep those. So  
7 you said you have some familiarity with these; not really  
8 sure. Did Alydian transfer any bitcoins from the  
9 addresses at which it's mining to any other addresses in  
10 October or November?

11 MR. VESSENES: I don't know.

12 MR. GALLANCY: You don't know, okay. So one of  
13 the addresses that we had discussed in the past --

14 MS. SIMONYAN: I'm sorry. Can I just interrupt?  
15 You don't know if there were any transfers out of Alydian  
16 addresses to other addresses?

17 MR. VESSENES: You know, I'm just not prepared  
18 with a full financial audit here, so I'm not willing to  
19 perjure myself by saying yes or no. If you guys have  
20 information you need that the Court wants, I'm very happy  
21 to give it, but I don't think you should complain as to  
22 whether or not I know intricate, you know, details.  
23 That's like saying "Did cash move from one drawer to  
24 another in November?" I don't know.

25 MS. SIMONYAN: So, you know, we're not complain --

1 we are sort of complaining, I suppose, because this is  
2 very basic information that pertains to the schedules.

3 MR. SMITH: Let me just cut you off and say,  
4 there's no point to be gained by complaining. Either you  
5 need to rephrase your question to something that he will  
6 answer from personal knowledge or you have him now saying  
7 he doesn't know. And you know, if, in fact, he receives  
8 a daily report of transfers, you know, whether there was  
9 a transfer, then he just perjured himself. So, I mean  
10 it's a normal question and answer.

11 MS. SIMONYAN: Okay.

12 MR. SMITH: But complaining about it isn't going  
13 to get you anywhere.

14 MS. SIMONYAN: Okay, yes. We can --

15 MS. GLYNN LEVIN: We'd be happy to have a 2004  
16 exam and have an opportunity, so he's prepared to answer  
17 your specific questions about these accounts and  
18 transfers.

19 MR. SMITH: Well, and that's all true, but they're  
20 not asking about a specific transfer at this point. I  
21 mean, it was --

22 MS. SIMONYAN: Exactly.

23 MR. SMITH: -- have there been any transfers  
24 during that time period. That's a pretty broad, generic  
25 question that I would expect you to be able to answer.

1 The fact that you say you don't know if there was a  
2 single transfer, that's strains credibility.

3 MR. VESSENES: I disagree, because they asked have  
4 we moved any between accounts we control. And that to me  
5 is -- I don't know that. It's like asking, "Has any  
6 hardware moved between your warehouses in November?" I  
7 don't know --

8 MR. SMITH: Okay, fair enough. You're putting a  
9 different interpretation than I did on it.

10 MS. SIMONYAN: Who would be in charge? I  
11 understand you are the only employee at Alydian; is that  
12 correct?

13 MR. VESSENES: That's correct, yeah.

14 MS. SIMONYAN: Who would make the decision to  
15 transfer bitcoins in and out of bitcoin addresses?

16 MR. VESSENES: It could be -- well, the people  
17 that are capable of doing it would be me, possibly the  
18 finance director and possibly an engineer.

19 MR. GALLANCY: So who's the finance director?

20 MR. VESSENES: It has been Jodie Brady. We're  
21 currently evaluating bringing someone new on.

22 MR. GALLANCY: Jodie Brady has left the company.

23 MR. VESSENES: She's still contracting  
24 occasionally, but she's not full time.

25 MS. SIMONYAN: And Jodie Brady, is she a CoinLab

1 employee?

2 MR. VESSENES: She was.

3 MS. SIMONYAN: She was never an Alydian employee?

4 MR. VESSENES: No.

5 MR. GALLANCY: She was the CFO of CoinLab?

6 MR. VESSENES: That's correct.

7 MR. GALLANCY: Just so I understand, why did she  
8 depart?

9 MR. VESSENES: I gave testimony about that in New  
10 York.

11 MS. GLYNN LEVIN: Yeah, I think that's outside the  
12 scope of today's 341 meeting.

13 MR. GALLANCY: Okay, very good.

14 MS. SIMONYAN: An the third person that had  
15 authority to make transfers on Alydian's behalf?

16 MR. VESSENES: Well, by authority, do you mean  
17 corporate authority or do you mean technical ability?

18 MR. GALLANCY: Both.

19 MR. VESSENES: Corporate authority, to move money  
20 between Alydian-owned contracts, I mean, there's no  
21 document specifying it. I would think as far as  
22 technical ability it would be the engineers or anyone who  
23 has got access to the accounts.

24 MS. SIMONYAN: Actually, I am interested in who  
25 had the authority to make the decision that money is

1       going to -- or bitcoins are going to be transferred out  
2       of an address.

3               MR. VESSENES: So there's no document specifying  
4       who would have that authority, but as a practical matter  
5       moving the coins from one Alydian-owned address to  
6       another Alydian-owned address is not considered, you  
7       know, a big policy concern. If they're -- it's also --  
8       it's unlikely such a thing happened, by the way. I mean,  
9       it's not something we would tend to do.

10              However, if there were concerns about the security  
11       of the account, they might have been moved. That could  
12       be one reason someone might do it.

13              MR. GALLANCY: So maybe I didn't phrase my  
14       question sufficiently clear earlier. What I had also  
15       meant was, were there any transfers between Alydian  
16       accounts into CoinLab accounts?

17              MR. VESSENES: So there have been post-petition --

18              MS. GLYNN LEVIN: Just a second. What time frame  
19       are you referring to?

20              MR. GALLANCY: In October and November, as I'd  
21       mentioned before.

22              MS. GLYNN LEVIN: October 1st through November  
23       30th?

24              MR. GALLANCY: Yes.

25              MS. GLYNN LEVIN: Okay. So you're talking about a

1 pre-petition and a post-petition time period?

2 MR. GALLANCY: Yes, ma'am.

3 MR. VESSENES: So, yes, certainly, is the answer.

4 MR. GALLANCY: And what were those transfers for.

5 MR. VESSENES: Those are, you know, they would be  
6 in payment for bills, so invoices are delivered to  
7 Alydian; Alydian would remit.

8 MR. GALLANCY: Got it. One more address and I  
9 think that this will certainly be familiar to you because  
10 we did discuss it in New York. Do you want to pass this  
11 over?

12 MR. SMITH: And just to let me in on it, when you  
13 say "discuss it in New York," was there a deposition in  
14 the state court action in New York or something?

15 MS. GLYNN LEVIN: I'm not counsel in that case so  
16 I can't say.

17 MR. VESSENES: We haven't taken depositions.  
18 There was testimony, live testimony.

19 MR. SMITH: At a hearing?

20 MR. VESSENES: In the Southern District of New  
21 York at a hearing, evidentiary hearing.

22 MR. SMITH: All right.

23 MR. GALLANCY: So I think that's my -- that might  
24 be my copy of it, unfortunately. I want to make sure  
25 we're looking at the same thing for accuracy sake. This

1 12z address, this is the address we had discussed in New  
2 York at the time. We had discussed it. First of all,  
3 since this is an address that you would be familiar with,  
4 is this a CoinLab address or an Alydian address?

5 MR. VESSENES: This is a CoinLab Inc address.

6 MR. SMITH: And could somebody put some portion of  
7 the -- on the record so that people will know what  
8 address you're talking about?

9 MR. VESSENES: It starts with 1-2-z-z-m-5.

10 MR. SMITH: Okay.

11 MR. GALLANCY: I was calling it a 12zz address for  
12 simplicity. So the 12zz address is a CoinLab address.  
13 So just to understand, I'm going to lump a couple of  
14 questions in here just for simplicity here. You can see  
15 that there are a bunch of input transactions to that  
16 address and, you know, again back to this sort of nerd  
17 speak a little bit, what I'm referring to is bitcoins  
18 that were sent to that address, either from -- could be  
19 from anywhere, and some of them seemed to be from random  
20 places. It's impossible to say.

21 MR. VESSENES: Sure, there's spam.

22 MR. GALLANCY: Right, there's some spam. We both  
23 agree, right. There is one on October -- on, sorry, on  
24 October 29th for, I think it's on the last page, it's for  
25 9,999 bitcoins.

1 MR. VESSENE: Mm-hmm.

2 MR. GALLANCY: Right? What was the source of  
3 funds for that? That's a very large -- that's a very,  
4 very large transaction.

5 MR. SMITH: Well, to the degree, if you want to  
6 ask whether that was from the Debtor, I think that's a  
7 good question, but to the degree --

8 MR. GALLANCY: Right. Or I guess I should --

9 MR. SMITH: -- it was from some unrelated --

10 MR. GALLANCY: I guess I should rephrase it.

11 Is that from the Debtor to the Debtor or does that  
12 relate to XRay Holdings in any way?

13 MS. GLYNN LEVIN: So are you asking him to respond  
14 in his capacity with CoinLab or as a principal of the  
15 Debtor company? Because you just established that this  
16 account, 12zzm5 doesn't belong to the Debtor.

17 MS. SIMONYAN: Well, it doesn't. I don't see how  
18 the answer would be different, first of all. We're  
19 talking about numbers, so whether he's answering as an  
20 Alydian employee or the CEO of CoinLab, the answer should  
21 be the same.

22 And I also believe that questions about the  
23 financial condition of the majority shareholder of the  
24 Debtor are fair game at this 341. The schedules show  
25 that there have been transfers between the Debtor,

1 significant and large transfers between the Debtor and  
2 CoinLab. So, you know, where CoinLab has transferred  
3 further, you know, that should be the subject of this 341  
4 hearing.

5 MR. SMITH: Well, we're not going to get into the  
6 all the financials of CoinLab, so to the degree you're  
7 trying to determine whether that transaction relates to  
8 the Debtor in any way --

9 MR. GALLANCY: No, I actually --

10 MR. SMITH: -- you should ask questions about  
11 that.

12 MR. GALLANCY: Yeah. So let me rephrase it.

13 The schedule that you filed there indicates a  
14 10,000 bitcoin capital infusion from XRay Holdings.

15 MS. GLYNN LEVIN: I'm sorry. Where are you  
16 referring to?

17 MS. SIMONYAN: That would be Schedule F, and  
18 that's the last page of Schedule F.

19 MR. GALLANCY: Right.

20 MS. GLYNN LEVIN: So what's your question?

21 MR. GALLANCY: The question is twofold. First, is  
22 that 10,000 bitcoin transaction that we had just  
23 discussed with the 12zz address, that capital infusion  
24 from, or related to that capital infusion from XRay  
25 Holdings?

1 MR. VESSENES: I believe so. I believe that those  
2 10,000 coins are the XRay Holdings loan coins, yes.

3 MR. GALLANCY: So related to that, so when was the  
4 loan -- and we can put the nerd speak on pause for a  
5 moment here -- when was the loan from XRay Holdings -- -  
6 for capital infusion from XRay Holdings consummated?

7 MR. SMITH: Could you distinguish between those  
8 two for me? Because, as I understood the testimony,  
9 there was both. There was both initial capital infusion,  
10 but there was also --

11 MR. GALLANCY: Right, I'm referring --

12 MR. SMITH: -- the \$3 million loan.

13 MR. GALLANCY: I'm referring to the 10,000  
14 bitcoins on that schedule.

15 MR. SMITH: Okay. And can we clarify that was  
16 bitcoins or was some or all of that money?

17 MR. VESSENES: Both XRay Holdings equity placement  
18 and loan were in bitcoins.

19 MR. SMITH: All right, thank you.

20 MR. VESSENES: I don't recall exactly but one  
21 could easily, I think, see when the coins came in  
22 originally.

23 MR. GALLANCY: My confusion here, I guess, is it  
24 looks like, you know, as you can see, the time stamp on  
25 this 10,000 coins that we just talked about it is October

1       29th, but I had understood that the capital infusion,  
2       this 10,000 bitcoins as listed on the schedule over  
3       there, that occurred in either August or September. Am I  
4       right?

5               MR. VESSENES: Approximately, yeah.

6               MR. GALLANCY: So were those 10,000 bitcoins spent  
7       on mining equipment?

8               MR. VESSENES: Yeah, parts. Well, they didn't pay  
9       for all the parts. CoinLab is also a creditor, but they  
10      defrayed some of the parts cost.

11              MR. GALLANCY: So I guess what I'm trying to  
12      understand, then, is if those 10,000 bitcoins were spent  
13      on parts, then the 10,000 bitcoins over here in this  
14      address, the 12zz address, how can there still -- I guess  
15      I don't understand the reconciliation. How are there  
16      still 10,000 bitcoins in the 12zz address if some of  
17      those bitcoins from XRay Holdings were --

18              MR. VESSENES: You're now just asking about  
19      CoinLab finances, completely.

20              MR. GALLANCY: Well, no, but I felt that the loan  
21      was to Alydian or the capital infusion as listed on the  
22      schedule to Alydian --

23              MR. VESSENES: It was. And Alydian used those  
24      bitcoins to pay for parts, and that's the transaction you  
25      see here, is a parts payment transaction to CoinLab Inc.

1 MR. GALLANCY: Okay. So Alydian received the  
2 bitcoins from XRay Holdings and then CoinLab went ahead  
3 and bought the parts using U.S. dollars, and then this  
4 transfer is a transfer from an Alydian account to  
5 CoinLab?

6 MR. VESSENES: That's correct, in payment for  
7 those parts. In partial payment.

8 MR. GALLANCY: In partial payment for those parts.

9 MR. VESSENES: That's correct.

10 MR. GALLANCY: I understand. That makes more  
11 sense to me. Okay. So the terms of the capital infusion  
12 listed on that schedule, the 10,000 bitcoin capital  
13 infusion, what were the terms that --

14 MR. SMITH: Let me just clarify that because, as I  
15 understood it, the 10,000 bitcoins that are listed on  
16 Schedule F was not a capital infusion. It was a loan.

17 MR. VESSENES: That's correct.

18 MS. SIMONYAN: Let's refer to it as a loan.

19 MR. GALLANCY: Sure, okay.

20 MR. SMITH: Because there were other capital  
21 infusions.

22 MR. GALLANCY: Sure.

23 MR. SMITH: Which are not reflected because they  
24 don't have to be repaid.

25 MR. GALLANCY: Sure, sure. Okay.

1 MR. SMITH: So I want to make the distinction.

2 MR. GALLANCY: This is Schedule F, right?

3 MR. SMITH: Yeah.

4 MR. GALLANCY: I'll say the 10,000 on Schedule F.

5 MR. SMITH: That's fine.

6 MR. GALLANCY: 10,000 on Schedule F for clarity.

7 The 10,000 bitcoins referred to on Schedule F, what were  
8 the terms of the agreement with XRay Holdings regarding  
9 that 10,000 bitcoins?

10 MR. VESSENES: I think the contract is in the  
11 motion, so you could read that. Yeah. Is that true?

12 MS. GLYNN LEVIN: Actually, sorry, no, I don't  
13 think it is. I don't think it is in the record.

14 MR. SMITH: So Mr. Vessenes --

15 MS. GLYNN LEVIN: I could be wrong, but at this  
16 point I'm not sure.

17 MR. SMITH: You need to testify as to your  
18 personal knowledge if you know the terms between the  
19 Debtor and XRay.

20 MR. VESSENES: There were some details, but it was  
21 a 10,000 coin loan and 15,000 coins returned, is the  
22 broad financial strokes of that.

23 MR. GALLANCY: When were the 15,000 coins due?

24 MR. VESSENES: There's no date associated with  
25 when they're due.

1           MR. GALLANCY: So they could be paid back at any  
2           time in the future?

3           MR. VESSENES: Yeah, there was -- there are no  
4           dates attached to it.

5           MR. GALLANCY: Okay, that makes sense. And of  
6           those 10,000 bitcoins, how many have been used thus far  
7           for the purchase of parts and equipment?

8           MR. VESSENES: 100 percent of them. Alydian spent  
9           all of them on parts and equipment.

10          MR. GALLANCY: Alydian spent 100 percent of them?

11          MR. VESSENES: Yeah, and that's this transaction  
12          you see.

13          MR. GALLANCY: I see, okay.

14          MR. SMITH: So we could expect that there would be  
15          invoices from CoinLab to the Debtor --

16          MR. VESSENES: Yes.

17          MR. SMITH: -- underlying the 10,000 bitcoin  
18          value?

19          MR. VESSENES: Yeah, it's in excess, actually  
20          because -- yeah. But yes.

21          MR. GALLANCY: Okay. So CoinLab went ahead and  
22          paid for the parts with U.S. dollars. XRay Holdings lent  
23          10,000 bitcoins to Alydian, and then Alydian  
24          subsequently, to pay for those parts, transferred those  
25          10,000 bitcoins back to CoinLab. Just so I understand

1 the flow of funds, that's the complete picture?

2 MR. VESSENES: That's correct.

3 MR. GALLANCY: Got it, okay.

4 MS. SIMONYAN: I just want to follow up with a  
5 couple of questions. Is there a written contract? Are  
6 there loan documents?

7 MR. VESSENES: There is a written service  
8 agreement between Alydian and CoinLab.

9 MR. GALLANCY: Not -- go ahead.

10 MS. SIMONYAN: Does the service agreement  
11 incorporate information about the loan or is there a  
12 separate document specifically as to the 10,000 bitcoin  
13 loan?

14 MR. VESSENES: Oh, there's a contract between --  
15 there is a contract between Holdings [sic] and XRay.

16 MS. SIMONYAN: The Debtor and XRay?

17 MR. VESSENES: Yes, that's correct.

18 MS. SIMONYAN: And who signed the contract on  
19 behalf of Alydian?

20 MR. VESSENES: I did.

21 MR. GALLANCY: And on behalf of XRay?

22 MR. VESSENES: Brian Cartmell.

23 MR. GALLANCY: And who is Brian Cartmell?

24 MR. VESSENES: I think he's the --

25 MS. GLYNN LEVIN: If you know.

1           MR. VESSENES: He's the, I guess, managing  
2           director of XRay.

3           MS. SIMONYAN: Do you know the date that contract  
4           was signed?

5           MR. VESSENES: No.

6           MS. SIMONYAN: Can you give me a range?

7           MR. VESSENES: We were just -- it was sometime --

8           MS. GLYNN LEVIN: Asked and answered. He doesn't  
9           know.

10          MS. SIMONYAN: You don't know approximately the  
11          date the contract was signed?

12          MR. VESSENES: Sometime between July and  
13          September.

14          MS. SIMONYAN: Okay.

15          MR. GALLANCY: Okay. And Alydian has no bank  
16          account right now, so zero U.S. dollars --

17          MR. VESSENES: That's correct.

18          MR. GALLANCY: -- that Alydian possesses, right?  
19          And how many bitcoins does Alydian possess right now?

20          MR. VESSENES: Right now? I gave an estimate  
21          earlier. I said a net of bills, approximately 1,100. It  
22          might be a little more.

23          MR. GALLANCY: And have those been taken out of  
24          addresses at which Alydian is mining and put into a  
25          separate address or do those remain in the mining

1 addresses?

2 MR. VESSENES: Again, I don't know for sure. Our  
3 common practice is to leave them where they're mined,  
4 too, though.

5 MR. GALLANCY: Okay.

6 MS. GLYNN LEVIN: Are there a lot more questions?

7 MR. GALLANCY: I have a bunch of additional  
8 questions, yes.

9 MS. GLYNN LEVIN: Well, perhaps we should consider  
10 putting this to a 2004 exam because --

11 MR. GALLANCY: These are general questions. These  
12 aren't related to --

13 MR. SMITH: There's no time frame on a 341. If  
14 they're legitimate questions, they have a right to ask  
15 them.

16 MR. GALLANCY: Okay. So just so I know, who are  
17 the board members of Alydian?

18 MR. VESSENES: Just me.

19 MR. GALLANCY: Just you? Just you, okay. And who  
20 are the board members of CoinLab?

21 MR. VESSENES: Just me.

22 MR. GALLANCY: You're the only board member of  
23 CoinLab?

24 MR. VESSENES: That's correct.

25 MR. GALLANCY: Interesting. Interesting. In

1       communications with investors, you make all the decisions  
2       on behalf of Alydian, and you go back to Alydian's  
3       investors and say, you know, "These are the decisions  
4       I've made," and same thing for CoinLab?

5               MS. GLYNN LEVIN:  Objection.  Is that a question?

6               MR. GALLANCY:  Well, okay.  I'll rephrase the  
7       question if you like.

8               MS. GLYNN LEVIN:  Well, could you just maybe ask  
9       one part of the question at a time so that he can give an  
10      answer?  Because that was sort of compound.

11              MR. GALLANCY:  Sure, of course.

12              MS. GLYNN LEVIN:  I couldn't track it.

13              MR. GALLANCY:  Sure.  Absolutely.

14              So you make decisions on behalf of Alydian as both  
15      the managing director and as the sole board member, and  
16      then --

17              MR. SMITH:  You might want to stop there.

18              MS. SIMONYAN:  So stop there.  Is that a "yes" or  
19      a "no"?

20              MR. VESSENES:  I am always in conversation with  
21      shareholders in Alydian, for sure.

22              MR. GALLANCY:  Okay.

23              MR. VESSENES:  And to the extent that the matters  
24      relate to other groups, I'm talking to them too.

25              MS. SIMONYAN:  But the ultimate authority to make

1 financial decisions on behalf of Alydian rests with you;  
2 is that correct?

3 MR. VESSENES: I think so. I mean, although I  
4 will say in bankruptcy mostly my concerns are for the  
5 creditors, right? So I have significant other parties to  
6 consider.

7 MR. GALLANCY: Of course. Of course. And just to  
8 be a hundred percent clear, what is Joel Yarmon's  
9 affiliation with Alydian and his affiliation with  
10 CoinLab?

11 MR. SMITH: What's his name again?

12 MR. GALLANCY: Joel Yarmon. It's Y-a-r-m-o-n.

13 MR. SMITH: Okay.

14 MS. GLYNN LEVIN: And are you --

15 MS. SIMONYAN: He's a creditor of the estate.

16 MR. GALLANCY: He's a creditor, but is he -- he's  
17 a creditor of the estate, but does he have any other  
18 affiliation?

19 MR. VESSENES: With Alydian? Not really.

20 MR. GALLANCY: And with CoinLab?

21 MR. VESSENES: So he's an investor and a former  
22 board member at CoinLab.

23 MR. GALLANCY: A former board member?

24 MR. VESSENES: Yeah.

25 MR. GALLANCY: So okay. Did Alydian have any

1 other board members before, earlier?

2 MR. VESSENES: No.

3 MR. GALLANCY: Did CoinLab have any other board  
4 members before?

5 MR. VESSENES: Are you just talking about CoinLab  
6 as a -- like, can't -- what does this have to do with the  
7 Alydian bankruptcy, CoinLab's directors?

8 MS. SIMONYAN: Mr. Smith, I think it's  
9 quintessential to the Debtor's --

10 MR. SMITH: I don't think so under the -- for  
11 purposes of this. Your questions need to be about the  
12 assets and liabilities of the Debtor.

13 MR. GALLANCY: Sure.

14 MR. SMITH: And prospects for reorganization.

15 MR. GALLANCY: Sure.

16 MR. SMITH: That's the context.

17 MR. GALLANCY: Sure.

18 MR. SMITH: Some of this other stuff I think is  
19 relevant, but --

20 MR. GALLANCY: Sure.

21 MR. SMITH: -- to the degree you want to get into  
22 the corporate governance of the 65 percent owner of the  
23 Debtor, I think you can do that in another forum. You  
24 don't have to do that today.

25 MR. GALLANCY: Sure. Okay. Okay. So I want to

1 talk about this operating budget. I'm not sure which  
2 exhibit.

3 MS. SIMONYAN: That's Schedule I and J.

4 MR. GALLANCY: Schedule I and J, okay. So here we  
5 show your forecast is for 5,421 bitcoins to be mined  
6 through the end of February, but I -- does that assume  
7 that the equipment gets turned off at the end of  
8 February?

9 MR. VESSENES: No. We just didn't forecast out  
10 past February.

11 MR. GALLANCY: Got it. So at today's market rate,  
12 we're talking about something close to \$5.4 million?

13 MR. VESSENES: Sure. Although, again, it varies a  
14 lot --

15 MR. GALLANCY: It varies. Right. Of course.

16 MR. VESSENES: -- day by day.

17 MR. GALLANCY: Right.

18 MR. VESSENES: Yeah.

19 MR. GALLANCY: We all agree it fluctuates. It  
20 says \$5.4 million of bitcoins mined, which is, you know,  
21 whatever it is. I think of it as revenue. You may call  
22 it something else. And total expenses of 900 -- almost  
23 \$900,000. Is that correct?

24 MR. VESSENES: That's the budget through end of  
25 December, but not through end of February.

1 MR. GALLANCY: Okay. What about through the end  
2 of February? What would be the incremental expense for  
3 one month?

4 MR. VESSENES: I don't know. I haven't -- we  
5 haven't forecasted that out.

6 MR. GALLANCY: The -- for December, you had  
7 mentioned you have six systems deployed, and there were  
8 three more being deployed today.

9 MR. VESSENES: No. More than that.

10 MR. GALLANCY: I'm sorry. Okay.

11 MR. VESSENES: Six were deployed as of the  
12 petition date on October 31st. There's something close  
13 to --

14 MR. GALLANCY: I'm sorry. You had said 16.

15 MR. VESSENES: Something closer to --

16 MR. GALLANCY: I apologize.

17 MR. VESSENES: -- 16 now, yeah.

18 MR. GALLANCY: 16 deployed, right.

19 MS. GLYNN LEVIN: Wait till he finishes his  
20 question.

21 MR. VESSENES: Okay. I'm sorry.

22 MS. GLYNN LEVIN: Yeah.

23 MR. GALLANCY: Okay. 16 deployed. For the month  
24 of December, within your projections, does that  
25 contemplate the deployment of the full 32 that you had

1 mentioned, 30 to 32 you had mentioned?

2 MR. VESSENES: I believe so. I think the plan is  
3 to have them all deployed by the end of December.

4 MR. GALLANCY: Okay. Okay. Got it. So the  
5 expense for operating 32 systems for one month is  
6 approximately \$441,860?

7 MR. VESSENES: It will go down a little bit  
8 because we will not need all of the contractors and etc.  
9 going forward. It looks like we've got kind of a rolling  
10 down in December.

11 MR. GALLANCY: Got it.

12 MR. VESSENES: That said, our hosting contracts  
13 are month to month because we didn't want to bind Alydian  
14 to, you know, a lot of obligations that would hurt the  
15 creditors if mining suddenly looks bad or worse than it  
16 does now. So it's very possible hosting prices will  
17 change. We don't know.

18 MR. GALLANCY: Got it. Okay. So -- but this is  
19 to the best of your abilities, right? That's logical to  
20 me. But the December -- to be clear, so we're talking  
21 about just for the month of December, just to keep it  
22 very concrete, 2,573 bitcoins projected to be generated,  
23 which is something -- you know, obviously the values  
24 fluctuate, but tell me if I'm wrong here. We're talking  
25 about approximately \$2.5 million of bitcoin mining

1 revenue, if we could use the word "revenue" -- maybe we  
2 shouldn't -- and expenses of approximately \$441,000?

3 MR. VESSENES: That's our estimate right now.

4 MR. GALLANCY: That's your estimate. Does Alydian  
5 have any other assets besides the mining equipment that  
6 you had mentioned? I guess maybe some office equipment  
7 and stuff like that?

8 MS. GLYNN LEVIN: Objection. Asked and answered.  
9 The schedules say everything that Alydian owned as of the  
10 petition date. Are you talking about additional coin?

11 MR. GALLANCY: Well, I guess the reason I'm  
12 confused is because, you know, the schedule didn't list  
13 the bitcoins, so I just want to make sure that I'm aware  
14 of all the assets.

15 MR. SMITH: Could you ask your question again?

16 MR. GALLANCY: Does Alydian have any other assets  
17 besides the ones listed in the schedule?

18 MR. VESSENES: With the exception of the bitcoins,  
19 which we had talked to the analysts about how to report,  
20 no.

21 MR. GALLANCY: Got it.

22 MR. SMITH: Can I just jump in and ask, why is the  
23 hosting expense going up 50 percent in December?

24 MR. VESSENES: It's because each system you deploy  
25 costs more energy.

1 MR. SMITH: Okay.

2 MR. VESSENES: So yeah.

3 MR. SMITH: So that's to account for the  
4 additional --

5 MR. VESSENES: Exactly.

6 MR. SMITH: -- deployment?

7 MR. VESSENES: Yeah.

8 MR. GALLANCY: Okay. Okay. That makes a lot of  
9 sense to me. So all right. We'll skip that. The  
10 going-forward expenses, to the best of your knowledge, we  
11 have this \$441,860, right? Would you anticipate -- or I  
12 should say by how much would you anticipate hosting to  
13 increase during the month of January?

14 MR. VESSENES: I don't know. You know, I'm not  
15 the financial guy.

16 MR. GALLANCY: Okay. Just in terms of knowing who  
17 all the creditors are, one of them is a Sunshine Network  
18 Limited?

19 MR. VESSENES: Yeah.

20 MR. GALLANCY: Who is the principal of that?

21 MR. VESSENES: I don't know.

22 MR. GALLANCY: You don't know?

23 MR. VESSENES: No.

24 MR. GALLANCY: Okay. Well, okay. Certainly when  
25 that entity did a pre-buy contract with you there must

1 have been some party that countersigned, right?

2 MR. VESSENES: Yeah.

3 MR. GALLANCY: And you don't know who that party  
4 is?

5 MR. VESSENES: I don't recall. We have the  
6 contract.

7 MR. SMITH: Was that one of the contracts that  
8 you're moving to reject? So that should be -- that would  
9 be attached to the motion for you to look at.

10 MR. GALLANCY: I didn't see that contract.

11 MS. GLYNN LEVIN: It's in the record.

12 MR. GALLANCY: I don't know that it is.

13 MS. SIMONYAN: I don't think I've seen that one.

14 MR. GALLANCY: Okay. But I'll check again. It's  
15 in the record? Well, fair enough. I didn't see it,  
16 but...

17 MS. GLYNN LEVIN: Any other questions for Mr. --

18 MR. GALLANCY: Yeah, I do have a few more.

19 MS. GLYNN LEVIN: Okay.

20 MR. GALLANCY: A few more questions here. I guess  
21 we're all -- everyone is looking for this one particular  
22 item here? I was just giving everyone a minute to find  
23 it.

24 MS. GLYNN LEVIN: Yeah. Schedule -- Exhibit H.

25 MR. GALLANCY: Exhibit H?

1 MS. GLYNN LEVIN: Exhibit H to his original  
2 declaration filed November 15th.

3 MR. GALLANCY: It does have it in there. Okay.  
4 Thank you. That's great.

5 Besides transfers of bitcoins between the Debtor  
6 and CoinLab for purposes of payment of -- payment for  
7 supplies, were there any other transfers for other  
8 purposes?

9 MR. VESSENES: When?

10 MR. GALLANCY: Through the history of the company.

11 MR. VESSENES: So far, I do not believe Alydian  
12 has done any other transfers, no.

13 MR. GALLANCY: Okay. So all the transfers were  
14 just for payment of parts?

15 MR. VESSENES: Well, there's parts and services.  
16 There's --

17 MR. GALLANCY: Services as well.

18 MR. VESSENES: Yeah. Parts and services.

19 MR. GALLANCY: Got it.

20 MR. SMITH: And fees.

21 MR. GALLANCY: And fees.

22 MR. SMITH: Let's just capture everything.

23 MR. VESSENES: Yeah. Yeah.

24 MR. GALLANCY: Capture it all. And fees. Okay.

25 Since bitcoins are obviously, we both know, data,

1 right, how does Alydian -- you know, import asset -- how  
2 does Alydian store its bitcoins?

3 MR. VESSENES: We have a number of addresses that  
4 we've generated using a high-entropy key from -- we're  
5 using a Swiss quantum random-number generator, and those  
6 are kept in a couple of secure places. And so to -- so  
7 the addresses are easily -- fairly easily generated or  
8 referred to.

9 MR. GALLANCY: Sure.

10 MR. VESSENES: And then there's a process that one  
11 goes through to unlock and pull them out.

12 MR. GALLANCY: Right. So the private keys are  
13 stored on paper?

14 MR. VESSENES: Yeah, they are. I have  
15 confidentiality and safety questions if we talk too much  
16 about where these are kept.

17 MR. GALLANCY: I won't go too far.

18 MR. VESSENES: Okay.

19 MR. GALLANCY: I won't go too far with it.

20 MR. VESSENES: But that's fine, yeah.

21 MR. GALLANCY: But they're stored on paper and  
22 then put someplace secure?

23 MR. VESSENES: Some are stored on paper and some  
24 are -- we have a lower -- slightly lower security class  
25 that are generated incrementally using sort of a BIP32

1 HD wallet style generation function.

2 MR. GALLANCY: Got it. And those private keys  
3 that are kept secure, we were talking earlier about  
4 access. Who has access, physical access, to the  
5 locations where those are stored?

6 MS. GLYNN LEVIN: How is that a question that a  
7 creditor --

8 MR. GALLANCY: I want to make sure that the assets  
9 are being stored securely. These are important assets of  
10 the estate.

11 MR. SMITH: I don't see it as any different than a  
12 question of, you know, what bank is the money kept in.

13 MR. VESSENES: It's different. It's like saying,  
14 "Where did you keep the cash and who can go get it?"  
15 Because if there's a --

16 MR. SMITH: Well, if the Debtor had a roomful of  
17 cash, then one of the questions might be, "What room did  
18 he keep the cash in and who can go get it?"

19 MR. VESSENES: Yeah. It's fair enough. But  
20 there's a physical risk too. There's like a real  
21 non- -- I mean --

22 MR. SMITH: If there's a risk in answering the  
23 question to the Debtor's assets, then I don't think he  
24 should have to answer the question, but that presumes  
25 what -- can you explain what --

1 MR. VESSENES: As an analogy --

2 MR. SMITH: -- risk is involved?

3 MR. VESSENES: Yeah. I mean --

4 MR. SMITH: Because that seems like a  
5 straightforward question.

6 MR. VESSENES: If I say -- as an analogy say,  
7 "Okay, who holds all the diamonds in your diamond  
8 company," and I say, "Oh, it's John, John's got access,  
9 sole access to it," John is now at physical risk, right?  
10 It's on the public record.

11 MR. GALLANCY: Okay.

12 MR. VESSENES: Like, men with guns can come to  
13 John and take his diamonds.

14 MR. GALLANCY: Right. No. I --

15 MR. SMITH: I agree with that.

16 MR. VESSENES: So yeah.

17 MR. SMITH: But is his question analogous to that?

18 MR. VESSENES: It is analogous to that.

19 MR. SMITH: All right.

20 MR. VESSENES: It is analogous.

21 MR. GALLANCY: I think earlier you had mentioned  
22 that Alydian has something like 1,100 bitcoins right now?

23 MR. VESSENES: Roughly, I guess.

24 MR. GALLANCY: So we're talking about a million  
25 dollars, right? So it seems like in the grand scheme of

1 things I'm not sure that creates a tremendous security  
2 risk.

3 MR. SMITH: Well, if he believes it does and  
4 doesn't want to --

5 MR. GALLANCY: Okay.

6 MR. SMITH: Refuses to answer --

7 MR. GALLANCY: Got it.

8 MR. SMITH: -- the question on that basis, I  
9 don't --

10 MR. GALLANCY: Fair enough.

11 MR. SMITH: -- have any ability to make him answer.

12 MR. GALLANCY: Fair enough. Okay.

13 So, again, just to understand a little bit more  
14 about the flow of funds, CoinLab billed Alydian  
15 \$2.6 million between August and November for purchases  
16 per the schedule --

17 MS. SIMONYAN: Statement of financial affairs.

18 MR. GALLANCY: Right. Statement of financial  
19 affairs.

20 MS. GLYNN LEVIN: Can you give us a moment to turn  
21 to that?

22 MR. GALLANCY: Sure.

23 MS. SIMONYAN: It's number 3.

24 MS. GLYNN LEVIN: Okay. Can you repeat the  
25 question?

1 MR. GALLANCY: All right. CoinLab billed  
2 approximately \$2.6 million between August and November  
3 for purchases, according to that schedule. All of  
4 those -- just so I understand, were all of those  
5 purchases --

6 MS. GLYNN LEVIN: So just --

7 MR. GALLANCY: -- paid for --

8 MS. GLYNN LEVIN: So hold on. Are you referring  
9 to the itemized list of payments or transfers in  
10 schedule -- SOFA, Question 3(B)?

11 MS. SIMONYAN: That's correct.

12 MS. GLYNN LEVIN: Okay. Go ahead.

13 MR. GALLANCY: All those were paid in bitcoin?

14 MR. VESSENES: I believe so.

15 MR. GALLANCY: And the values that we're seeing  
16 there are the values -- the approximate U.S. dollar  
17 equivalent values on those dates?

18 MR. VESSENES: No. We use a fairly industry  
19 standard valuation methodology which marks the coins'  
20 value to the date that the purchase was made on those  
21 coins. Details of that are in the Alydian and CoinLab  
22 master service agreement if you want to read it. So --

23 MR. GALLANCY: Was that filed?

24 MS. SIMONYAN: I don't believe it's on the record.  
25 Is it, Counsel?

1 MS. GLYNN LEVIN: No.

2 MS. SIMONYAN: Would you be willing to provide  
3 that or put it on the record?

4 MS. GLYNN LEVIN: With appropriate requests.

5 MS. SIMONYAN: Okay.

6 MR. SMITH: And given the back and forth, though,  
7 let me make sure I just understand the answer. So  
8 generally speaking, these are transfers, not billings,  
9 but assuming there are invoices underlying these  
10 transfers of bitcoins from the Debtor to CoinLab, the  
11 valuations put in the amount paid or the value of the  
12 transfers is not a value that is marked to the market as  
13 of the day of the transfer, but it's as to the day that  
14 purchase --

15 MR. VESSENES: The purchase was --

16 MR. SMITH: -- assuming it was equipment.

17 MR. VESSENES: Yes, that's correct.

18 MR. SMITH: The purchase or the services were  
19 provided?

20 MR. VESSENES: For services they're marked on the  
21 bill date.

22 MR. SMITH: Okay. So there is a distinction  
23 there?

24 MR. VESSENES: Yes, that's correct.

25 MR. SMITH: Okay.

1 MS. SIMONYAN: Just one more follow-up. You said  
2 these transfers you believe are bitcoin transfers? Is it  
3 possible that they're not? Are you not certain whether  
4 they are or not?

5 MR. VESSENES: I don't think so. I think that  
6 Alydian was only dollars there, but I'm not prepped with  
7 the full audit list here.

8 MS. SIMONYAN: Okay. Does Alydian have any bank  
9 accounts?

10 MR. VESSENES: No.

11 MS. SIMONYAN: Checking accounts?

12 MR. VESSENES: No, not now.

13 MS. SIMONYAN: So if they were to be dollar  
14 transfers, where would the dollars come from?

15 MR. VESSENES: The initial seed funding was in  
16 dollars.

17 MS. SIMONYAN: Okay. So at that point did Alydian  
18 have a checking account?

19 MR. VESSENES: No. CoinLab had a segregated  
20 account.

21 MS. SIMONYAN: So CoinLab had an account that it  
22 was -- and the money held by the CoinLab account was held  
23 as a trustee for the benefit of the Debtor?

24 MR. VESSENES: I don't know what it --

25 MS. SIMONYAN: Well --

1 MR. VESSENES: There's some technical terms,  
2 but --

3 MS. SIMONYAN: Okay. So --

4 MR. VESSENES: But it was only Alydian money, and  
5 it was only used to pay Alydian bills.

6 MS. SIMONYAN: And it was a separate segregated  
7 account titled under CoinLab's name?

8 MR. VESSENES: I believe so.

9 MS. SIMONYAN: And the understanding of the  
10 parties was that money belonged to Alydian?

11 MR. VESSENES: That's correct.

12 MS. GLYNN LEVIN: Which parties are you referring  
13 to?

14 MS. SIMONYAN: I'm referring to CoinLab and  
15 Alydian.

16 MR. VESSENES: Yeah, that's correct.

17 MS. SIMONYAN: And is there any sort of an  
18 agreement? Would this be reflected in the operating  
19 agreement that you were referring to a moment ago?

20 MR. VESSENES: The operating agreement postdates  
21 the closing of that account, so most U.S. banks stopped  
22 dealing with bitcoin businesses a number -- quite a while  
23 ago, and so those accounts were closed then. But they  
24 were -- Alydian had at that point spent the dollars on  
25 parts and services, so there were no dollars left in it

1       anyway.

2               MS. SIMONYAN: Can you give me a date when the  
3       account was closed?

4               MR. VESSENES: No, not off the top of my head.

5               MS. SIMONYAN: Or an approximate range?

6               MR. VESSENES: I don't remember.

7               MS. SIMONYAN: But it would have been sometime  
8       after August of 2013?

9               MR. VESSENES: That's what I'm saying. I don't  
10       remember, and so it's possible some of those include some  
11       dollars and coins, but, you know, I don't believe that  
12       they do. I think they're all bitcoins.

13              MS. SIMONYAN: Okay.

14              MR. GALLANCY: So okay. Back to the flow of funds  
15       here, just, again, to make sure I understand properly,  
16       XRay Holdings provided the 10,000 bitcoins per the  
17       Schedule F that we showed before, and then you sent those  
18       bitcoins to an exchange and got U.S. dollars for those  
19       bitcoins?

20              MR. VESSENES: Alydian -- no. Alydian paid  
21       CoinLab for a portion of its bills with those bitcoins.

22              MR. GALLANCY: Alydian paid CoinLab for a portion  
23       of its bills with those bitcoins?

24              MR. VESSENES: Right. So Alydian had instructed  
25       CoinLab to purchase parts so that it could mine. CoinLab

1 did so, had put out a bunch of money to do that, had  
2 billed Alydian. Alydian couldn't pay all of it, but paid  
3 what it could, leaving this -- leaving CoinLab as a  
4 creditor.

5 MR. GALLANCY: Okay. But the 10,000 bitcoins were  
6 sent from XRay to Alydian, and then subsequently sent  
7 from Alydian to CoinLab --

8 MR. VESSENES: Correct.

9 MR. GALLANCY: -- as repayment for purchases that  
10 CoinLab made in U.S. dollars, and that's why the 10,000  
11 bitcoins show up at the 12zz address?

12 MR. VESSENES: Partial payment, correct. Yeah.

13 MR. GALLANCY: Partial payment.

14 MS. GLYNN LEVIN: Wait till he finishes his  
15 question.

16 MR. SMITH: And you say --

17 MR. VESSENES: Oh, I'm sorry.

18 MR. SMITH: And you say partial because CoinLab is  
19 still owed 600,000?

20 MR. VESSENES: That's correct, yeah.

21 MR. GALLANCY: Okay, so got it. So CoinLab  
22 fronted the cash, bought the equipment, and then the  
23 bitcoins were transferred subsequently to repay CoinLab.  
24 What determined the U.S. dollar amount? Is it the same  
25 accounting methodology that you were referring to a

1 moment ago?

2 MR. VESSENES: That's correct.

3 MR. GALLANCY: It is?

4 MR. VESSENES: Yes.

5 MR. GALLANCY: Okay.

6 MR. SMITH: We need to make some more progress.

7 We've kind of been talking around that model of

8 transaction for quite a while.

9 MR. GALLANCY: Right. Okay. No, I understand.

10 Why did you choose XRay Holdings as a provider of  
11 capital at that point, that 10,000 bitcoin transaction?

12 MR. VESSENES: Alydian? Oh, so --

13 MR. GALLANCY: As opposed to somebody else.

14 MR. VESSENES: It was by far the best offer we  
15 had. So we had offers for higher interest rate debt,  
16 but --

17 MR. GALLANCY: Right.

18 MR. VESSENES: So...

19 MR. GALLANCY: Okay.

20 MR. VESSENES: We took the better one.

21 MR. GALLANCY: And what about CoinLab providing  
22 financing for Alydian directly? Was that not an option?

23 MR. VESSENES: Not really. We were at the time --

24 I mean, I don't know how much I need to say about

25 CoinLab, but it was certainly not in CoinLab's model nor

1 in its financial capacity to provide the amount of  
2 financing that Alydian needed.

3 MR. GALLANCY: It was not -- okay. So CoinLab  
4 decided it didn't want to do it, so XRay did it instead?

5 MS. GLYNN LEVIN: That's not a question he's going  
6 to answer as principal of the Debtor.

7 MR. GALLANCY: Okay. Sorry. How many lenders did  
8 you approach?

9 MR. SMITH: Did "the Debtor" approach.

10 MR. GALLANCY: Did the Debtor approach?

11 MR. VESSENES: Well, and as some background for  
12 the attorney for the trustee, Alydian was out of money.  
13 It didn't have money to buy the parts to do anything, so  
14 it was kind of an emergency fundraising period. We  
15 talked to quite a number of retail customers that we  
16 maybe thought we could sell, maybe about a hundred  
17 different ones, give or take a hundred, that we thought  
18 we could perhaps sell the bitcoin mining. We talked to  
19 three -- it was a very small number of lenders that we  
20 thought would be interested. We talked to three of them  
21 along with those hundred customers, and so...

22 MR. GALLANCY: Okay. And none of those offers  
23 were as good as the offer from XRay?

24 MR. VESSENES: One declined. Crystal Island  
25 offered a 20,000 bitcoins back --

1 MR. GALLANCY: Right.

2 MR. VESSENES: -- rather than -- and then XRay  
3 Holdings offered just for 15,000, so it was significantly  
4 better for the -- what are now the creditors, we thought,  
5 too.

6 MR. SMITH: So is that essentially a 50 percent  
7 interest rate?

8 MR. VESSENES: Yeah. I mean, even more if you --  
9 well, I guess the risks are high, obviously, but yeah.  
10 So the first -- the one -- the reason Dan's here, his  
11 guys offered a hundred percent interest rate and we  
12 didn't like that, and then we went with the guys who were  
13 the 50 percent interest rate.

14 MR. SMITH: Okay.

15 MR. GALLANCY: That's not exactly why I'm here,  
16 but that --

17 MR. SMITH: And again --

18 MR. GALLANCY: Right.

19 MR. SMITH: -- although I said there's no limit,  
20 there is a limit.

21 MR. GALLANCY: Right. Of course.

22 MR. SMITH: And the limit is probably when --

23 MS. GLYNN LEVIN: We're getting very close.

24 MR. SMITH: Okay.

25 MR. GALLANCY: Yeah. No. We know.

1 MS. GLYNN LEVIN: We're getting close.

2 MR. GALLANCY: We know we're approaching it.

3 MR. SMITH: Okay.

4 MR. GALLANCY: And we're trying to --

5 MR. SMITH: You need to think about wrapping up.

6 MR. GALLANCY: Trying to blast through the rest of  
7 it as much as we can, as quickly as we can.

8 MR. SMITH: Mr. Reyhani, are you still there?

9 MR. GALLANCY: He probably put it on mute --

10 MR. SMITH: Oh.

11 MR. GALLANCY: -- knowing him.

12 MR. VESSENE: He's probably on mute.

13 MR. REYHANI: I'm here. I was on mute.

14 MR. SMITH: Okay. Just wanted to check.

15 MR. GALLANCY: Yeah. Okay. Okay.

16 And did Alydian approach CoinLab and ask for a  
17 loan?

18 MS. GLYNN LEVIN: I think that question was asked  
19 and answered.

20 MR. GALLANCY: It's not what I --

21 MR. SMITH: I don't think it's relevant. We're  
22 dealing with --

23 MR. GALLANCY: Sure.

24 MR. SMITH: For our purposes, we're dealing with  
25 the asset base and the obligations as they are.

1 MR. GALLANCY: Right.

2 MR. SMITH: We know that --

3 MR. GALLANCY: Okay.

4 MR. SMITH: -- whether they approached them or  
5 not, they didn't make a loan.

6 MR. GALLANCY: It didn't happen.

7 MR. SMITH: It didn't happen.

8 MR. GALLANCY: Got it. Okay. That makes sense to  
9 me. Okay. What else do I have here?

10 MS. SIMONYAN: Well, let me ask -- I just have a  
11 couple of follow-ups, and then it will give you a few  
12 more minutes.

13 MR. GALLANCY: Yeah.

14 MS. SIMONYAN: Just a couple. Not a lot.

15 There was an initial capital investment by XRay.  
16 You mentioned when you were answering the trustee's  
17 questions that it was settled. Is that correct or did  
18 I --

19 MR. VESSENE: What does "settled" mean? I'm  
20 sorry.

21 MS. SIMONYAN: I may have misunderstood, but was  
22 that repaid?

23 MR. VESSENE: No. It's a capital investment.

24 MS. SIMONYAN: So, okay, I must have misunderstood  
25 the answer. Then I just have a couple of follow-ups

1       about the loan between XRay and the Debtor. You said  
2       there was -- so there was no date for repayment of the  
3       bitcoins?

4               MR. VESSENES: That's correct.

5               MS. SIMONYAN: So were there any damages  
6       contemplated under the agreement in the event those  
7       bitcoins are not repaid?

8               MR. VESSENES: I don't know. I -- "damages"  
9       sounds like kind of a technical word to me. They're a  
10      creditor in the lawsuit, I guess, so...

11              MS. SIMONYAN: So if I understand correctly, those  
12      bitcoins could have been returned at 50 percent interest  
13      at any point. There was no time limit. There was no  
14      definite deadline by which time the bitcoins should have  
15      been returned to XRay?

16              MR. VESSENES: There was no deadline, that's  
17      correct.

18              MS. SIMONYAN: Okay. So if Alydian chose to repay  
19      that in a 150 years, the agreement did not contemplate  
20      any additional repercussions from the lengthy delay?

21              MS. GLYNN LEVIN: That's a legal question and  
22      my -- which my client cannot answer based on his personal  
23      knowledge and as principal of the company. It's a legal  
24      question.

25              MS. SIMONYAN: Okay.

1           MR. SMITH: Well, and their claim is what their  
2           claim is, so if there were damages with not meeting a  
3           nonexistent deadline, that would be rolled into their  
4           claim.

5           MS. SIMONYAN: I understand in bankruptcy that's  
6           what -- their claim is their claim, but I want to  
7           understand the content of the loan documents. Does the  
8           loan document provide that in the event Alydian fails to  
9           repay there are going to be certain repercussions? I  
10          don't think that there is any legal element to this  
11          question.

12          MS. GLYNN LEVIN: If you know, Peter, otherwise --

13          MR. VESSENES: I guess, I'm not a lawyer. I don't  
14          even that it's a loan document. I think it's -- so I  
15          don't know how to answer.

16          MS. SIMONYAN: You didn't believe it's a loan  
17          document? What did you believe it was?

18          MR. VESSENES: It's a -- I think it was a  
19          contract, so I don't know. We're splitting hairs about  
20          things you go to law school for, I think. I don't know.

21          MS. SIMONYAN: Well, okay. So in your  
22          understanding, was it a loan or was it some --

23          MS. GLYNN LEVIN: It's asked and answered. He  
24          said he didn't know. He thought it was a loan document.  
25          He thought it was a contract.

1 MS. SIMONYAN: Okay.

2 MS. GLYNN LEVIN: So...

3 MS. SIMONYAN: Do you understand what a loan  
4 means?

5 MS. GLYNN LEVIN: Objection.

6 MS. SIMONYAN: I don't think you need to go to law  
7 school to understand what a loan is.

8 MS. GLYNN LEVIN: Objection. You're --

9 MR. SMITH: Do you have --

10 MS. GLYNN LEVIN: -- becoming argumentative with  
11 my client, and I'm -- now I'm getting to --

12 MS. SIMONYAN: It's just a question.

13 Do you understand the concept of a loan?

14 MR. VESSENES: Yeah.

15 MR. SMITH: Mr. Vessenes, do you have a -- there  
16 is a written contract, correct?

17 MR. VESSENES: That's correct, yeah.

18 MR. SMITH: A written documentation of the  
19 transaction?

20 MR. VESSENES: Um-hum.

21 MR. SMITH: All right. So to the degree you have  
22 discovery, that sounds like something --

23 MS. SIMONYAN: Okay.

24 MR. SMITH: -- you would want to look at if they  
25 won't otherwise provide it.

1 MR. GALLANCY: Okay.

2 MS. SIMONYAN: Okay. So going back to Section 3  
3 of the SOFA, are those all the transfers that were made  
4 by Alydian within 90 days leading to the filing of the  
5 bankruptcy petition?

6 MR. VESSENES: Yeah. I mean, we've answered the  
7 SOFA accurately, so...

8 MS. SIMONYAN: Does one of these transactions  
9 reflect the 10,000 bitcoins that were transferred from  
10 Alydian to CoinLab?

11 MR. VESSENES: I would assume so, I think, but I  
12 don't know for sure. The -- yeah, so I don't know for  
13 sure.

14 MS. SIMONYAN: Okay. So if that transaction  
15 occurred within 90 days of the bankruptcy petition, it  
16 should be reflected on the SOFA in this section?

17 MS. GLYNN LEVIN: Asked and answered.

18 MS. SIMONYAN: Do you -- okay. Well, this is a  
19 question to the counsel. Do you intend to amend the SOFA  
20 to reflect all the transfers out of the account?  
21 Because --

22 MS. GLYNN LEVIN: He's already testified that the  
23 schedules are accurate, that the SOFA is accurate, and  
24 that he doesn't anticipate any amendments thereto. That  
25 was one of the very first questions. So, no, we don't

1 intend to -- if new information comes to your attention,  
2 then we'll change it, but as of today there are no  
3 amendments necessary.

4 MS. SIMONYAN: He didn't answer. He didn't say  
5 that it's in there.

6 Was that your answer? Maybe I misunderstood.

7 MR. VESSENES: I said I assume so. I believe it  
8 is.

9 MS. SIMONYAN: You believe it's one of these. And  
10 you wouldn't know which one?

11 MR. SMITH: "Do you know which one," would be the  
12 question.

13 MR. VESSENES: No. I know for sure that it's not  
14 likely to be just one. It would have been -- because, as  
15 I said, they were not fully paid for, so a payment would  
16 have covered a set of invoices, but not completely.

17 MR. SMITH: Counsel, can I ask you a question  
18 while we're still --

19 MS. GLYNN LEVIN: Yes.

20 MR. SMITH: -- while we're here for a minute? I  
21 would have expected that 3(C) would be where we would see  
22 these and possibly other transactions. Did you make a  
23 distinction that comes to mind as to why it's not  
24 capturing all the transactions within a year, since  
25 CoinLab is by any definition an insider?

1 MS. GLYNN LEVIN: If CoinLab is an insider under  
2 the bankruptcy code, then 3(C) may be the appropriate  
3 place to put it, and I'm happy to --

4 MR. SMITH: Okay. Would you take a look at that,  
5 please, and --

6 MS. GLYNN LEVIN: I would be happy to review that.

7 MR. SMITH: Okay. And if appropriate, make an  
8 amendment.

9 MS. GLYNN LEVIN: May I borrow your --

10 MR. SMITH: Yeah.

11 MS. SIMONYAN: Who on behalf of Alydian made the  
12 decision to file this bankruptcy case?

13 MR. VESSENES: I did.

14 MS. SIMONYAN: Was there any formal procedure or  
15 was it documented in any way?

16 MR. VESSENES: Is the filing of the bankruptcy not  
17 enough formal proof that we decided to do it?

18 MS. SIMONYAN: Actually, no. There's supposed to  
19 be a corporate resolution, and I haven't seen that filed  
20 in this case yet.

21 MR. VESSENES: There may be. I don't recall. I'm  
22 not sure.

23 MS. SIMONYAN: Okay. So your testimony is you  
24 don't remember whether the decision to file bankruptcy  
25 was formally recorded or documented? "You don't

1       remember" is --

2               MR. VESSENES: I don't recall. I signed a lot of  
3       paper to do the bankruptcy, so I don't recall if this --  
4       if a board resolution was one or not.

5               MS. SIMONYAN: Okay. You indicated that CoinLab  
6       was holding a checking account for the benefit of  
7       Alydian; is that correct? The account that was closed,  
8       you talked about earlier?

9               MR. VESSENES: Yeah, if -- is "for the benefit of"  
10       a technical legal term?

11              MS. SIMONYAN: Well, CoinLab is on the title of  
12       the account, but the understanding between CoinLab and  
13       Alydian is that the money belongs to Alydian?

14              MR. VESSENES: Yeah, the -- it was a deposit. So  
15       Alydian made a deposit with CoinLab for, like, prepaying  
16       a vendor for expenses that would come up.

17              MS. SIMONYAN: Okay. And that account is closed  
18       now?

19              MR. VESSENES: That's correct.

20              MS. SIMONYAN: Is there a different account  
21       that -- a different checking account that CoinLab is  
22       holding for Alydian --

23              MR. VESSENES: No.

24              MS. SIMONYAN: -- similar to that one? Is there  
25       any other entity that's holding a similar account for --

1 MR. VESSENES: No.

2 MS. SIMONYAN: -- Alydian? So going forward, how  
3 are Alydian's operating expenses paid in dollars?

4 MR. VESSENES: Well, they are largely incurred by  
5 CoinLab, and so CoinLab is willing to be repaid in  
6 bitcoins. That's not the first question the trustee had,  
7 actually.

8 MS. SIMONYAN: Okay. It was Brian Cartmell that's  
9 the principal of XRay Holdings, correct?

10 MR. VESSENES: I believe so.

11 MS. SIMONYAN: Does Brian Cartmell have any -- is  
12 he an employee or is he --

13 MR. VESSENES: No.

14 MS. SIMONYAN: -- an equity holder in the Debtor?

15 MR. VESSENES: Brian Cartmell? No. There are  
16 only two equity holders.

17 MS. SIMONYAN: Is he an equity holder or has he  
18 ever been an equity holder of Alydian?

19 MR. VESSENES: No.

20 MS. SIMONYAN: Has he ever been on the board of  
21 Alydian?

22 MR. VESSENES: No.

23 MS. SIMONYAN: Has he ever been on the board or an  
24 equity holder in CoinLab?

25 MR. VESSENES: No. But --

1 MS. SIMONYAN: Okay.

2 MR. GALLANCY: Okay. I'm almost set. Just a  
3 couple of really quick things here. I just want to make  
4 sure. Back to some of these numbers here about revenue  
5 and expenses and some of the call structure stuff, when  
6 you were -- we were talking earlier before, you were  
7 saying one system is six cages, right? So one system is  
8 just over six terra-hashes we were describing; am I  
9 correct?

10 MR. VESSENES: I said approximately.

11 MR. GALLANCY: Approximately.

12 MR. VESSENES: It varies.

13 MR. GALLANCY: It varies, right.

14 MR. VESSENES: I think our -- it's more like 5.9  
15 right now.

16 MR. GALLANCY: Right. Something like that. So  
17 that \$320,000 that was spent thus far sort of -- so what  
18 was the schedule? I apologize.

19 MS. SIMONYAN: SOFA No. 3? This?

20 MR. GALLANCY: No, the \$320,000 marked at cost --  
21 at which the systems are marked at cost in terms of  
22 assets?

23 MS. SIMONYAN: Oh, Schedule B.

24 MR. GALLANCY: Yeah. Sorry.

25 MS. SIMONYAN: Schedule B.

1 MR. GALLANCY: That's right. That's for 16  
2 systems, right?

3 MR. VESSENES: No, that's not correct. Those  
4 filings are as of October 31st.

5 MR. GALLANCY: Got it. Okay. So --

6 MR. SMITH: The schedule says for six systems.

7 MR. GALLANCY: For six systems, right. So okay,  
8 so --

9 MR. VESSENES: I'm sorry. November 1st, not  
10 October 31st.

11 MR. GALLANCY: Got it. So that means the  
12 \$320,000 --

13 MR. SMITH: And it's actually \$379,348.

14 MR. GALLANCY: \$379,000 -- thank you very much --  
15 is for six systems. That's about 36 terra-hashes. It  
16 gets you about \$10,527 per terra-hash. I did the math,  
17 so okay. Using those numbers, to the extent that you  
18 have revenue in excess of expense here in December, which  
19 perhaps you do, you know, why did you make the  
20 decision -- why make the decision not to take that  
21 revenue in excess of expense and redeploy that into more  
22 systems to generate more bitcoins?

23 MR. VESSENES: As I told the trustee, things are  
24 fluid, and we're still deciding what to do. The --

25 MR. GALLANCY: So one possibility would be to keep

1 operating and do, indeed, just that?

2 MR. VESSENES: It's possible that Alydian would  
3 purchase more -- or, I guess, probably the -- to the  
4 extent Alydian did any more investment, I would think it  
5 would only be to finish out its current parts.  
6 Deployments? Our analysis is that even that will not  
7 return capital. So, you know, what we have right now is  
8 a --

9 MR. GALLANCY: Sorry. Return capital to whom? I  
10 apologize.

11 MR. VESSENES: So, you know, if it's going to cost  
12 a million dollars or a million and a half dollars, you  
13 know, our analysis is that it won't likely return a  
14 million and a half dollars to -- at the end of the day to  
15 have done that. So to my mind, we're just -- we're like  
16 all about getting as much value for the creditors right  
17 now, and I don't think we are going to be engaging in  
18 large, speculative investments when we have a shot to do  
19 pretty well by the creditors right now, so...

20 MR. GALLANCY: In spite of bitcoin at its current  
21 prices, it doesn't --

22 MR. VESSENES: I mean, in my judgment, I think  
23 it's really risky to imagine taking all the money Alydian  
24 has and dumping it back into mining just to maybe pay a  
25 little more for creditors. Like, that doesn't seem like

1 a good idea to me.

2 MR. GALLANCY: Got it.

3 MS. SIMONYAN: Just one question. I promise this  
4 is the last one. You indicated in your declaration as  
5 part of the motion to reject executory contracts that one  
6 of the possibilities was to sell the assets of the  
7 company at a 363 sale; is that correct?

8 MR. VESSENES: That's a possibility, yeah.

9 MS. SIMONYAN: Have you approached any -- has the  
10 Debtor approached any potential purchasers, or has it  
11 been approached by any potential purchasers?

12 MR. VESSENES: We have not been approached by any  
13 potential purchasers. Pre-petition, we spoke to one  
14 company that auctions off mining equipment who was  
15 noncommittal. My understanding from counsel is that if  
16 we're going to sell assets there's a formal process to go  
17 through, so we haven't done any of that.

18 MS. SIMONYAN: As of right now, you don't have any  
19 entity in mind that would be the purchaser?

20 MR. VESSENES: I think -- correct me if I'm wrong,  
21 but my understanding is you need a fair and open auction  
22 if we're going to get rid of all the assets, right? So,  
23 no, I don't.

24 MS. SIMONYAN: And that's correct, but --

25 MS. GLYNN LEVIN: Let us know if you have somebody

1 in mind.

2 MR. VESSENES: But if you've got a buyer, let us  
3 know. Yeah. Exactly.

4 MS. SIMONYAN: Well, usually you go into these  
5 auctions with a stalking horse bidder already with an  
6 offer to purchase the assets, so my question is whether  
7 you have somebody like that who has committed to any  
8 extent to purchase the assets.

9 MS. GLYNN LEVIN: Asked and answered.

10 MR. SMITH: Is there an ongoing market?

11 MR. VESSENES: There is a real-time market, kind  
12 of like --

13 MR. SMITH: What do you mean by that?

14 MR. VESSENES: So the mining equipment creates  
15 this work. They're called "hashes." It's like a  
16 deliverable. You can, strangely, buy and sell hashes,  
17 which is a, you know --

18 MR. SMITH: Separate from the equipment generated?

19 MR. VESSENES: Absolutely. You just can --  
20 there's a real-time spot market for hashes, and that's  
21 that --

22 MR. SMITH: Is that because the hashes can --

23 MR. VESSENES: -- \$70,000 per terra-hash.

24 MR. SMITH: Is that because the terra-hashes may  
25 turn into bitcoin?

1           MR. VESSENES: Right. Exactly. That's that  
2           400,000 per system number that we had. Mining hardware  
3           varies quite a lot, and it's how hard it is to manage,  
4           how you could deploy it, how densely it can be put into a  
5           data center, how much energy it costs. So there isn't  
6           a -- there's certainly no liquid market.

7           MR. SMITH: But there are competitors that may  
8           want to ramp up their platforms?

9           MR. VESSENES: You know, one of the things -- I am  
10          sure that if there were an auction there would be  
11          bidders.

12          MR. SMITH: Okay.

13          MR. VESSENES: Yeah.

14          MR. SMITH: Two things before we go. One,  
15          Counsel, are you planning -- is there anybody else you're  
16          going to need to hire in terms of professional?

17          MS. GLYNN LEVIN: There is a possibility that we  
18          may hire special counsel.

19          MR. VESSENES: Special counsel.

20          MS. GLYNN LEVIN: But that is still up.

21          MR. SMITH: Okay.

22          MS. GLYNN LEVIN: It has not yet --

23          MR. SMITH: All right.

24          MS. GLYNN LEVIN: -- been decided.

25          MR. SMITH: And are there -- I guess that brings

1 me back to what we were just talking about.

2 MR. VESSENES: Oh, there's one more.

3 MR. SMITH: It is --

4 MR. VESSENES: What's that?

5 MR. SMITH: Are there brokers for -- would you  
6 need to hire a broker to market and potentially sell  
7 either the equipment or the hashes or any of the --  
8 anything?

9 MS. GLYNN LEVIN: If we did, we would certainly  
10 seek to have one appointed, but I think at this point we  
11 don't have --

12 MR. SMITH: I didn't know those even existed.

13 MS. GLYNN LEVIN: Yeah.

14 MR. VESSENES: It's possible. I don't know that  
15 it's necessary.

16 MR. SMITH: Okay.

17 MR. VESSENES: Yeah.

18 MR. SMITH: All right.

19 MR. GALLANCY: I'm all set. Actually, I had one  
20 more, which I will ask, and then I will get up. Papers  
21 are done here.

22 When you made the agreement with XRay on the  
23 Schedule F there, was he -- did you inform him of all the  
24 obligations that Alydian had to all of its pre-buyers and  
25 all creditors?

1 MR. VESSENES: Yes.

2 MR. GALLANCY: So he knew about all of the pre-buy  
3 agreements and any other agreements that were out there?

4 MS. GLYNN LEVIN: He can't answer as to what  
5 somebody else knew.

6 MR. GALLANCY: Sorry.

7 MS. SIMONYAN: The question was: Did you inform  
8 him?

9 MR. SMITH: And he answered that.

10 MR. VESSENES: And I answered it.

11 MS. GLYNN LEVIN: Yeah.

12 MS. SIMONYAN: Okay.

13 MR. SMITH: Okay.

14 MR. GALLANCY: And the nature of those agreements,  
15 the specific parameters of those agreements, did you  
16 inform him of the parameters, like the expiration dates  
17 of the contracts, the --

18 MR. VESSENES: I did not deliver all contracts to  
19 him, so he did not read every contract, I don't think.

20 MR. GALLANCY: Okay. He knew some of the info,  
21 but not all of it?

22 MS. GLYNN LEVIN: Objection as to what somebody  
23 else knew as --

24 MR. GALLANCY: You informed him of some of the  
25 information, but perhaps not all of it?

1 MR. VESSENES: "All" is super broad, so, yes, I  
2 did not inform him of all information.

3 MR. GALLANCY: Was he made aware of any  
4 differences amongst the contracts, that there were any  
5 contracts that were specific to one particular party or  
6 specific to any other particular parties?  
7 Differentiation amongst the contracts?

8 MR. VESSENES: I believe so. I'm just thinking  
9 back. I believe so.

10 MR. SMITH: All right.

11 MS. GLYNN LEVIN: Are these documents for us to  
12 keep?

13 MS. SIMONYAN: You can keep those if you want.

14 MS. GLYNN LEVIN: Okay.

15 MR. GALLANCY: Yeah. What's in there is it's just  
16 those --

17 MR. VESSENES: Bitcoin addresses.

18 MR. SMITH: But before we close, is there anybody  
19 else who would like to ask any questions?

20 MR. FRIEDBERG: I have a few questions, Mr. Smith.

21 MR. SMITH: Okay.

22 MR. GALLANCY: Thanks.

23 MR. FRIEDBERG: Thank you.

24 MR. GALLANCY: Thanks very much.

25 MR. SMITH: Um-hum.

1 MR. FRIEDBERG: All right. So my name is Dan  
2 Friedberg, and I represent Soule Investments. Soule is  
3 another creditor that entered into sort of what we called  
4 these forward contracts. And I'll try to keep it, and I  
5 will keep it, much briefer. So --

6 MS. GLYNN LEVIN: Would you mind giving me an  
7 estimate? Because my client might need a break to go to  
8 the bathroom or get a drink of water or something.

9 MR. FRIEDBERG: Certainly, if you'd like to break,  
10 but I wouldn't be more than 20 minutes, I think, so...

11 MS. GLYNN LEVIN: Oh. Are you okay for 20  
12 minutes? Okay.

13 MR. FRIEDBERG: And please just tell us if you'd  
14 like a break, but okay.

15 So first question was on this Exhibit I and J,  
16 which is the forecast. And I understand that it's not  
17 exactly up to date, but so on the executive comp line, so  
18 that shows 20 grand a month for November and December?

19 MR. VESSENES: Um-hum.

20 MR. FRIEDBERG: Who were the executives?

21 MR. VESSENES: That would be me.

22 MR. FRIEDBERG: So that's 20,000 a month for your  
23 salary of --

24 MR. VESSENES: That's correct.

25 MR. FRIEDBERG: And I apologize. I'll always try

1 to say "the Debtor," but if I do say "Alydian," I mean  
2 "the Debtor." So 20,000 a month for Alydian, so that  
3 would be 240,000 a year. So is your salary divided  
4 between CoinLab and Alydian?

5 MR. VESSENES: My -- I don't know. Are we  
6 answering questions about CoinLab? I have an Alydian  
7 salary for being the managing director of Alydian.

8 MR. FRIEDBERG: Well, relevant to the Debtor is  
9 that the executive comp is reasonable, and I see you're  
10 being paid 240,000 from Alydian. You also serve as CEO  
11 of CoinLab. What compensation is being paid by CoinLab  
12 so we can determine, one, whether it's reasonable, and,  
13 two, perhaps more importantly, you know, whether these  
14 companies are, indeed, distinct.

15 MS. GLYNN LEVIN: Are you asking him to testify  
16 today about what compensation CoinLab is paying him?

17 MR. FRIEDBERG: Yes.

18 MR. SMITH: I don't think he has to do that.

19 But if I can ask something a different way, how  
20 many hours a month are you invest -- are you -- of  
21 services are you providing to the Debtor?

22 MR. VESSENES: It's in the full-time range. I  
23 mean, I've got meetings like this, prep for meetings like  
24 this. Yeah. I mean, I would -- it's close to full time.

25 MR. SMITH: How many hours a month -- so you're

1 not putting many hours into CoinLab?

2 MR. VESSENES: I'm working more than 40 hours  
3 right now. CoinLab --

4 MR. SMITH: So when you say full time, you're  
5 talking about 40 hours?

6 MR. VESSENES: 40 hours, sure.

7 MR. SMITH: So...

8 MR. VESSENES: It's close to 40 for Alydian.

9 MR. SMITH: Okay.

10 MR. FRIEDBERG: Do you have a compensation  
11 agreement for that with Alydian? Pardon me, with the  
12 Debtor?

13 MR. VESSENES: Do I? No, I don't.

14 MR. FRIEDBERG: So that's 20,000 being paid just  
15 on a handshake, or what's the -- since you're the board  
16 member and the sole officer there, what controls are  
17 placed on that 20,000? I mean, what approvals have been  
18 done on that?

19 MR. VESSENES: I don't know that any were needed.

20 MR. FRIEDBERG: And that's just paid on normal  
21 payroll?

22 MR. VESSENES: No, it would be bitcoin.

23 MR. FRIEDBERG: So are there employment taxes  
24 being deducted from that?

25 MR. VESSENES: Of course, yeah.

1 MR. FRIEDBERG: So --

2 MR. VESSENES: Well, actually, I will say this. I  
3 have not been paid a salary ever by Alydian until post  
4 petition.

5 MR. FRIEDBERG: Oh, I see.

6 MR. VESSENES: So we're still working out how to  
7 get FICA and etc. paid for before we make the payments,  
8 but they're in the budget for the court.

9 MR. FRIEDBERG: But pre-petition there was no  
10 salary taken from the Debtor?

11 MR. VESSENES: That's correct.

12 MR. FRIEDBERG: Understand. And the 20,000 was a  
13 forecast and hasn't -- probably is being started to be  
14 done or hasn't been done. Is -- okay. So that was on I  
15 and J. Oh, and the second question I had on this, is the  
16 105,000 in severance for December, is that for your  
17 contract or is that --

18 MR. VESSENES: No. No. It's for --

19 MR. FRIEDBERG: That's for some other people?

20 MR. VESSENES: That's right.

21 MR. FRIEDBERG: Understand. And those have  
22 employment agreements, too, with --

23 MR. VESSENES: They should. Or contracting  
24 agreements. One of those.

25 MR. FRIEDBERG: Are any of those 105,000, are

1       those employees of CoinLab?

2               MR. VESSENES: Yes, some of them are.

3               MR. FRIEDBERG: Okay. And so the contracts with  
4       those providers, are they between the CoinLab and the  
5       service providers, or are they between Alydian and the  
6       service providers?

7               MR. VESSENES: They're between CoinLab and service  
8       providers, but they only do Alydian work.

9               MR. FRIEDBERG: I guess my question is, is that  
10       105,000 severance charge a charge to Alydian or should  
11       that instead be classified as a charge to CoinLab?

12              MR. VESSENES: So I believe it should be Alydian.  
13       And around when Dalsa Barbour, or I guess Bitvestment,  
14       who claims to be the same thing, filed a lawsuit and we  
15       went bankrupt we had to incentivize employees to stay on  
16       to do any Alydian work. So you can kind of pick your  
17       poison. You can have your experts leave or you can  
18       promise -- if they stay, you can -- you'll pay them if  
19       you need them to leave later.

20              MR. FRIEDBERG: Okay. So that -- those are  
21       specifics on that. So has CoinLab done any mining?

22              MR. VESSENES: No, not since 2012, and never at  
23       any scale.

24              MR. FRIEDBERG: And did CoinLab ever contract to  
25       do any mining?

1 MR. VESSENES: CoinLab Inc. did have contracts to  
2 mine, but here we are talking about Alydian.

3 MR. FRIEDBERG: So the CoinLab mining rigs are  
4 kept separate from the Alydian rigs?

5 MR. VESSENES: CoinLab owns no mining rigs.

6 MR. FRIEDBERG: Okay. So --

7 MS. GLYNN LEVIN: And maybe you should put on the  
8 record that you have a prior representation of CoinLab.

9 MR. VESSENES: Yeah. You have an engagement  
10 letter with CoinLab Inc.

11 MR. FRIEDBERG: Well, that's -- I do. We don't  
12 have official engagement letter. There was a -- when  
13 this client was actually referred to me by yourself, and  
14 at that time I just received an email from you, the  
15 general counsel, saying it was fine for me to represent  
16 them. So, certainly, I never represented CoinLab on any  
17 of these matters.

18 MR. GALLANCY: I think if Mr. Friedberg is  
19 conflicted, then some of Mr. Vessenes' attorneys are  
20 conflicted with the suit in the Southern District of New  
21 York.

22 MR. SMITH: Well, I'm going to leave it to his  
23 interpretation of the professional responsibility whether  
24 he's --

25 MR. FRIEDBERG: I don't think we're --

1 MR. SMITH: -- conflicted at this point.

2 MR. GALLANCY: I don't think you're conflicted.

3 MR. SMITH: So...

4 MR. FRIEDBERG: We're not part of any --

5 MR. VESSENES: Well, what --

6 MR. FRIEDBERG: But, anyway, so that may be the  
7 case, but I'd like to move forward. So okay. So we got  
8 that CoinLab hasn't done mining.

9 MR. VESSENES: I'm sorry. Can I ask, are you  
10 representing Bitvestment or Soule?

11 MR. FRIEDBERG: Soule.

12 MR. VESSENES: Oh, okay. All right.

13 MR. FRIEDBERG: Only representing Soule.

14 MR. VESSENES: So Dan's just rooting for you here.

15 MR. GALLANCY: Trying to help out.

16 MR. FRIEDBERG: Pardon me?

17 MR. VESSENES: Okay. All right.

18 MR. GALLANCY: Trying to help out the creditors.

19 MR. VESSENES: I understand.

20 MS. GLYNN LEVIN: Okay. Well, so only one  
21 question. We only have to deal with one questioner at a  
22 time.

23 MS. SIMONYAN: The U.S. trustee is leading this  
24 meeting, so please let him direct it.

25 MR. SMITH: Well, let's keep moving because you --

1 MR. FRIEDBERG: Sorry, sir?

2 MR. SMITH: The attorney for the U.S. trustee is  
3 getting hungry.

4 MR. FRIEDBERG: Okay. So if I -- can we look at  
5 our service agreement with Soule? So I'm just giving  
6 your attention to the agreement between the Debtor and  
7 Soule, my client.

8 MS. GLYNN LEVIN: Just, can you give us a moment  
9 to find it?

10 MR. FRIEDBERG: Yeah.

11 MR. SMITH: Where is that?

12 MR. FRIEDBERG: That's in the record, but it was  
13 actually separately filed. There was a -- we had to  
14 replace the contact. I believe it was on the 21st it was  
15 filed, I believe. It's not the one that was initially  
16 filed.

17 MS. GLYNN LEVIN: Okay.

18 MR. FRIEDBERG: We did it as a separate filing.

19 MS. GLYNN LEVIN: Just give us a moment to find  
20 it.

21 MR. FRIEDBERG: You had replaced two at that time.

22 MS. GLYNN LEVIN: I am aware of that. Go ahead.

23 MR. VESSENE: Okay.

24 MR. FRIEDBERG: Okay. So I'm looking at the  
25 bitcoin service agreement with Soule Investments Inc. and

1 I see that the -- in the parties in the preamble it's CLI  
2 Holdings, Inc., which is the Debtor, but I note that it's  
3 defined as CoinLab. When you entered into --

4 MR. VESSENES: I think that's just a title.

5 MR. FRIEDBERG: I understand. So it was defined  
6 as CoinLab. When you entered into this contract with  
7 Soule, did you explain that CLI Holdings differed from  
8 CoinLab?

9 MR. VESSENES: I don't recall.

10 MR. FRIEDBERG: Okay. Well, where is the -- so  
11 there it indicates that CLI Holdings, Inc. has its  
12 principal place of business at Seattle, in the recital;  
13 is that correct?

14 MR. VESSENES: It was correct at the time.

15 MR. FRIEDBERG: Oh, okay. But its current place  
16 of business is still Seattle, so...

17 MR. VESSENES: That's not correct.

18 MR. FRIEDBERG: Or is it in the Seychelles or is  
19 it in -- where is its -- where is the Debtor's current  
20 place of business?

21 MR. VESSENES: So the main office would be on  
22 Bainbridge Island in Washington.

23 MR. FRIEDBERG: Is CLI, the Debtor, authorized to  
24 do business in Bainbridge?

25 MS. GLYNN LEVIN: Can you clarify your question?

1 MR. FRIEDBERG: So you indicated that the Debtor's  
2 principal place of business is in Bainbridge, correct?  
3 So my question is, is it --

4 MS. GLYNN LEVIN: No, I don't think that was his  
5 testimony. I think he said his -- its office was in --  
6 on Bainbridge Island?

7 MR. VESSENES: Yeah. I don't -- I mean, it's --

8 MS. GLYNN LEVIN: I think that's what he said. I  
9 could be wrong.

10 MR. FRIEDBERG: Okay. So where -- pardon me. I  
11 don't mean to be picking at this. I'm just asking where  
12 the --

13 MR. SMITH: No. I -- we're all hearing different  
14 things. I believe he did. The question was, where is --

15 MS. GLYNN LEVIN: Oh.

16 MR. SMITH: -- his principal place of business  
17 now.

18 MS. GLYNN LEVIN: Okay.

19 MR. SMITH: And I thought he testified Bainbridge.

20 MR. VESSENES: I guess I don't -- I guess, is that  
21 a technical question? I don't know how to answer it. I  
22 am the only employee. I, you know, tend to work on  
23 Bainbridge Island, but there are parts all over the  
24 country. There's no -- there are no parts or assets of  
25 Alydian that I am aware of on Bainbridge Island.

1           MR. FRIEDBERG: But you're the sole employee and  
2 do the work from that location generally? Or no?

3           MR. VESSENES: I certainly do my work generally  
4 from Bainbridge Island, yeah.

5           MR. FRIEDBERG: Is Alydian authorized or is the  
6 Debtor authorized to do business in this state?

7           MR. VESSENES: I don't know. I don't know the  
8 answer to that.

9           MR. FRIEDBERG: And -- but CoinLab is authorized  
10 to do business in this state?

11          MS. GLYNN LEVIN: He's not going to answer any  
12 questions on behalf of CoinLab.

13          MR. VESSENES: I don't have counsel here except  
14 you, so I'm not sure what I should answer.

15          MR. FRIEDBERG: Okay. So CLI Holdings, the  
16 Debtor, its business, as you explained it, was to be a  
17 bitcoin miner, I believe.

18          MR. VESSENES: That's correct.

19          MR. FRIEDBERG: And CoinLab, though, not. I think  
20 you indicated it doesn't do mining. Does CLI have -- did  
21 it register federally to get the mining license from the  
22 federal? From FinCEN?

23          MS. GLYNN LEVIN: Did who?

24          MR. FRIEDBERG: Did Alydian get its license to be  
25 a money service business from the FinCEN to conduct its

1 activity?

2 MR. VESSENES: The Debtor has not registered for a  
3 money service business with FinCEN.

4 MR. FRIEDBERG: And has CoinLab registered to do  
5 business with FinCEN?

6 MS. GLYNN LEVIN: Don't answer that.

7 MR. VESSENES: You have direct knowledge of that  
8 as -- since you are payments counsel at CoinLab.

9 MR. FRIEDBERG: So, Mr. Smith, the reason that I  
10 only mention these items is I understand that the focus  
11 of this is only on CLI, but --

12 MR. SMITH: Well, within reason.

13 MR. FRIEDBERG: But I just wanted to point out  
14 that, as you've -- as we've heard, it's the same board,  
15 it's the same officer, it's the same office.

16 MR. SMITH: No. I understand your argument of  
17 corporate disregard in that essentially they're the same  
18 thing, and that may be actionable or a basis, but for  
19 today's purpose I would like to know again -- because I  
20 don't understand the terminology that was used. What was  
21 the registration that you asked about that the testimony  
22 was the Debtor does not have?

23 MR. FRIEDBERG: Oh, registered federally as a  
24 money service business with FinCEN, F-I-N-C-E-N.

25 MR. SMITH: V-I-N-C-E-N?

1 MR. FRIEDBERG: F, as in Frank. FinCEN.

2 MR. SMITH: FinCEN. And what's the significance  
3 of that?

4 MR. FRIEDBERG: So that's the license to basically  
5 create coin and mine.

6 MR. SMITH: And are all --

7 MR. VESSENE: That's an incorrect characterization.

8 MR. SMITH: And from your understanding, are all  
9 bit mining companies required to be registered?

10 MR. FRIEDBERG: It's uncertain.

11 MR. SMITH: Okay.

12 MR. FRIEDBERG: It's certainly -- people within  
13 the states would take that position, but there are many  
14 people who disagree with it, so it's a -- I would say  
15 that most miners, except for the biggest, probably  
16 aren't, so -- however, what the government wants and what  
17 the industry is catching up to are two different things.

18 MR. SMITH: Okay.

19 MS. GLYNN LEVIN: Are we a little off the topic  
20 here?

21 MR. SMITH: I think we are.

22 What's your next question?

23 MR. FRIEDBERG: So -- oh. I was pointing just to  
24 the contract only. So the contract with Soule, I see in  
25 paragraph 2 it states in there that -- this is the real

1       important thing for my client -- is CoinLab will make  
2       commercially reasonable efforts to mine 6,734 --

3               MR. SMITH: And I don't have the contract in front  
4       of me. Was I correct when I heard that for definitional  
5       purposes the use of the term "CoinLab" throughout the  
6       text includes the Debtor?

7               MR. VESSENE: It is only the Debtor.

8               MR. FRIEDBERG: It is only.

9               MR. SMITH: Only the Debtor.

10              MR. FRIEDBERG: Yes.

11              MR. SMITH: Okay.

12              MR. VESSENE: Yeah.

13              MS. GLYNN LEVIN: I'm sorry.

14              MR. FRIEDBERG: So it says that that --

15              MS. GLYNN LEVIN: Just hold on.

16              MR. SMITH: So is that defined -- is --

17              MS. GLYNN LEVIN: Hold on a second.

18              MR. SMITH: What does the defined term "CoinLab"  
19       refer to?

20              MS. GLYNN LEVIN: Are you talking about --

21              MR. SMITH: In the contract.

22              MS. GLYNN LEVIN: -- this contract?

23              MR. SMITH: Yeah, in that contract, because I  
24       don't have it.

25              MR. FRIEDBERG: It is the Debtor.

1 MS. GLYNN LEVIN: Oh. Yeah.

2 MR. SMITH: Okay. All right.

3 MR. FRIEDBERG: So I didn't mean to say -- no.

4 MR. SMITH: I didn't know whether it was CoinLab  
5 and the Debtor --

6 MR. FRIEDBERG: No.

7 MR. SMITH: -- defined CoinLab.

8 MR. FRIEDBERG: So --

9 MR. SMITH: It's just the Debtor?

10 MR. FRIEDBERG: So let me just replace the word  
11 "debtor" there. So services to. It says, "Debtor will  
12 make commercially reasonable efforts to mine 6,734  
13 bitcoins, odd bitcoins." Did CoinLab -- or, pardon me,  
14 did the Debtor make those commercially reasonable  
15 efforts?

16 MR. VESSENE: Yeah.

17 MR. FRIEDBERG: And I point in your filing, you  
18 actually indicated that -- so this is in your -- in the  
19 actual bankruptcy filing here. So this is on the --  
20 actually on the motion to reject executory contracts.  
21 There you state in paragraph 14 that Alydian --

22 MS. GLYNN LEVIN: Sorry. Paragraph 14 of the  
23 motion?

24 MR. FRIEDBERG: Yes. The motion to reject. There  
25 it said, "Alydian has uses" --

1 MS. GLYNN LEVIN: Can you give us a moment to find  
2 it?

3 MR. FRIEDBERG: Sure. So this was in the motion  
4 to reject executory contracts.

5 MS. GLYNN LEVIN: Okay. I don't see a paragraph  
6 14 in the motion. What are you referring to?

7 MR. FRIEDBERG: Pardon me. Oh, pardon me. It's  
8 the declaration in support.

9 MS. GLYNN LEVIN: Okay.

10 MR. FRIEDBERG: So this is in Peter's declaration  
11 in support of motion to reject executory contracts.

12 MS. GLYNN LEVIN: Take a moment to read that.

13 MR. FRIEDBERG: So it -- and I'm just pointing to  
14 the very first sentence in paragraph 14 only. And I'm  
15 just going to use the word "Debtor" again just so  
16 we're -- it's clear.

17 So there it says, "Debtor has used its best  
18 efforts to mine bitcoin." Would it be correct to say  
19 that -- because the language in the contract is a little  
20 different where it said "commercially reasonable  
21 efforts." Here is it safe to say that the Debtor used  
22 its best efforts to mine bitcoin for my client Soule, or  
23 was that intended to indicate that you used best efforts  
24 for others and not Soule?

25 MR. VESSENE: I think we made no representations

1 about Soule in the declaration there.

2 MR. FRIEDBERG: No. My question is, did the  
3 Debtor use best efforts to mine bitcoin for Soule is the  
4 question.

5 MR. VESSENES: Well, I'm not a lawyer. I don't  
6 fully understand the difference between "commercially  
7 reasonable" and "best." I think I would say Alydian  
8 worked as hard as it could to mine bitcoins and -- on  
9 behalf of all of its pre-buyers.

10 MR. FRIEDBERG: Including Soule, though?

11 MR. VESSENES: Of course.

12 MR. FRIEDBERG: Okay. So that's what I wanted to  
13 hear. So now, so you -- so under our -- under the Soule  
14 agreement, as indicated, you had to use commercially  
15 reasonable efforts. I note that in -- and I guess I'm  
16 just confused here -- is that in an agreement which I  
17 didn't know with another party, Dalsa, dated August 2013,  
18 it appears that you have to dedicate all your mining  
19 output.

20 MR. SMITH: I'm going to stop you. These are  
21 questions that may or may not lead to actionable claims  
22 for your client against the Debtor or others, but they  
23 don't go to the Debtor's assets and liabilities and the  
24 prospects for reorganization at this point. If you want  
25 to get underneath the contracts and what efforts were

1       made for your client versus other clients and on what  
2       dates and at what parts and who knew what about which  
3       contract at the time the next contract was done, I think  
4       you need to do that through discovery and not here.

5               MR. FRIEDBERG: So we are in a -- I know that it  
6       gets confusing because we talk about bitcoin, but this is  
7       simply sort of like a forward delivery contract. And  
8       let's just separate ourselves from bitcoin just to make  
9       things clear, and let's just use an example. Let's say  
10      it was a forward delivery contract for gold. That might  
11      be something that, you know, we can all understand. If  
12      we were dealing with that scenario where we had a debtor  
13      who had forward contracts for gold, it would be relevant  
14      to the creditors to make a determination of whether or  
15      not that gold was forthcoming. That is what the purpose  
16      of this hearing is, is to see if there are coin to  
17      satisfy the obligation. In this case, the forward  
18      delivery happens to be bitcoin, but it's no different  
19      than --

20             MR. SMITH: But I don't understand the point of  
21      the question for today's purposes. I understand it for  
22      litigation purposes. But you know what contracts were  
23      signed, you know when they were signed, you know what  
24      promises were made in those contracts that are arguably  
25      in contravention of your current client's contract, so we

1       just -- if you have a form of question that deals with  
2       where we are today as opposed to contract interpretation  
3       or contract -- you know, entering into the contracts,  
4       let's have it and get finished up.

5               MR. FRIEDBERG: Yeah. Well, I guess the question  
6       just points to, you know, they have a prospect,  
7       hopefully, of generating these bitcoins.

8               MR. SMITH: Okay.

9               MR. FRIEDBERG: You know, basically they're  
10      fulfilling the forward contract.

11              MR. SMITH: Right. And you're looking at what was  
12      Schedule I and J to --

13              MR. FRIEDBERG: Correct. Which isn't actually --

14              MR. SMITH: Okay. So they have --

15              MR. FRIEDBERG: -- perfect.

16              MR. SMITH: They have a potential of 5,400  
17      bitcoins. So taking that, what's your question about the  
18      5,400 bitcoins?

19              MR. FRIEDBERG: That, basically, what the  
20      understanding of is which creditors would be entitled to  
21      those coins under the documents.

22              MR. SMITH: Ask that question.

23              MR. VESSENE: So I think that my -- and I'm not a  
24      bankruptcy expert, but my understanding is that a  
25      contract like this would be in an unsecured creditor

1 pool. I don't think Alydian has any secured creditors.  
2 So this contract has a fairly simple to understand  
3 liquidated damages clause, which --

4 MR. SMITH: And when you're saying "this  
5 contract," you're talking about this -- the one with  
6 Soule?

7 MR. VESSENES: The Soule Investments, yeah. Which  
8 just says that you're entitled to a refund if the Debtor  
9 can't deliver. So when we put the contracts in, we put  
10 them right at that refund, essentially saying it's -- you  
11 know, it's like a breach, basically, and so your client  
12 is entitled to a refund, and that's what I would expect  
13 the claim would be.

14 MR. FRIEDBERG: So I note that the fee per bitcoin  
15 in our contract is \$7.42 per bitcoin is what my client  
16 paid. Now the price per bitcoin is a thousand dollars.  
17 The interpretation is that basically you pay the  
18 liquidated damages provision, and that's if the price  
19 exceeds 7.2, or is it --

20 MR. VESSENES: No. It says very clearly in the  
21 contract if we can't deliver we'll refund the money pro  
22 rata. If we can't deliver any, we'll refund a hundred  
23 percent, so...

24 MR. FRIEDBERG: And is your reading that that's --  
25 that trumps this requirement that you actually try to

1 mine on our behalf?

2 MS. GLYNN LEVIN: The contract says what it says,  
3 and I just don't think this is the right forum, I'm  
4 sorry, to ask for his interpretation of the contract. He  
5 wasn't prepared to discuss that today. You're asking for  
6 him for some legal opinions.

7 MR. SMITH: I agree with that. You're asking for  
8 his legal opinion of this contract. You guys will, I  
9 presume, be fighting over the terms of the contract in  
10 other forums, whether it's claims, objections, or  
11 separate adversary proceedings, so I don't --

12 MR. FRIEDBERG: No, I'm satisfied.

13 MR. SMITH: Okay.

14 MR. FRIEDBERG: So -- and I think that's -- oh, I  
15 did have a final question on the invoices. So there's a  
16 large amount of funds or bitcoins flowing from the Debtor  
17 to CoinLab.

18 MS. GLYNN LEVIN: Sorry. Which invoices are  
19 you -- are you looking at a document?

20 MR. FRIEDBERG: No. It was indicated that there  
21 were --

22 MR. SMITH: The pre-petition transfers?

23 MR. FRIEDBERG: Yes. Were backed by an invoice.  
24 Who did those invoices and what form were they in?

25 MR. VESSENE: The finance team at CoinLab

1 generated invoices for Alydian to the extent that CoinLab  
2 would purchase the parts. So they're purchased.  
3 They're -- all purchase orders were approved by either me  
4 or Hans Olsen, who managed day-to-day operations at  
5 Alydian. Once the purchase orders are approved, the  
6 purchase is then made or a promise to pay is entered into  
7 with a vendor by CoinLab, and then once the actual  
8 payment is made and then the invoices are teed up and  
9 sent over to Alydian, and then Alydian remits the coins  
10 in exchange.

11 MR. FRIEDBERG: So it's actually -- there's  
12 actually a written invoice done prior to the transfer?

13 MR. VESSENES: We have hundreds and hundreds of  
14 pages of signed purchase orders for parts.

15 MR. FRIEDBERG: Understand. And the person  
16 signing those on behalf of the parties were the same? Or  
17 the --

18 MR. VESSENES: No, not necessarily.

19 MR. FRIEDBERG: No. Sometimes they -- and they  
20 would actually be signed by both sides?

21 MR. VESSENES: Well, there's no need for a CoinLab  
22 purchase order to be signed by Alydian, as you might  
23 imagine.

24 MR. FRIEDBERG: So it's just --

25 MR. VESSENES: But they're different parties that

1 would have signed them.

2 MR. FRIEDBERG: Okay. That's all I have.

3 MR. SMITH: Any other questions? All right. At  
4 this point, we will conclude the meeting of creditors.  
5 Thank you, everybody.

6 MS. GLYNN LEVIN: Thank you.

7 MR. VESSENE: Thank you.

8 (Meeting concluded.)

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1 C E R T I F I C A T E

2 STATE OF WASHINGTON )

3 )

4 COUNTY OF SNOHOMISH )

5 I, the undersigned, under my commission as a Notary  
6 Public in and for the State of Washington, do hereby  
7 certify that the foregoing digitally recorded proceedings  
8 were transcribed under my direction as a certified  
9 transcriptionist; and that the transcript is true and  
10 accurate to the best of my knowledge and ability; that I  
11 am not a relative or employee of any attorney or counsel  
12 employed by the parties hereto, nor financially  
13 interested in its outcome.

14

15 Signed and dated this 5th day of December, 2013

16

17

18 by [s] Marjie Jackson

19 MARJIE JACKSON, CETD

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# EXHIBIT B

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<p>1 The transcript of this proceeding is a rough draft ONLY</p> <p>2 and may contain untranslated steno, mistranslates,</p> <p>3 misspelled proper names, incorrect or missing Q/A symbols</p> <p>4 and/or punctuation, and is not to be used or considered</p> <p>5 in any way as the final transcript.</p> <p>6 SEATTLE, WASHINGTON, January 7, 2014</p> <p>7 9:30 a.m.</p> <p>8 --oOo--</p> <p>9</p> <p>10 PETER VESSENES, witness herein, having been</p> <p>11 first duly sworn on oath,</p> <p>12 was examined and testified</p> <p>13 as follows:</p> <p>14</p> <p>15 EXAMINATION</p> <p>16 BY MR. REYHANI:</p> <p>17 <b>Q. Okay, thank you. Hopefully you can see me.</b></p> <p>18 <b>We are here in the matter of the Chapter 11 filing of the</b></p> <p>19 <b>debtor CLI Holdings doing business as Alydian and this is</b></p> <p>20 <b>the Rule 2004 examination of Peter Vessenes.</b></p> <p>21 <b>Mr. Vessenes, we have met before, but I will</b></p> <p>22 <b>reintroduce myself. My name is Bryan Reyhani. I am</b></p> <p>23 <b>counsel to the creditor Bitvestment Partners, LLC,</b></p> <p>24 <b>formerly known as Dalsa Barbour. Good morning.</b></p> <p>25 A. Good morning, Mr. Reyhani. How are you?</p>	<p>1 BY MR. REYHANI:</p> <p>2 <b>Q. Mr. Vessenes, can you state your full name for</b></p> <p>3 <b>the record?</b></p> <p>4 A. My name is Peter Joseph Vessenes.</p> <p>5 MR. REYHANI: And I'm going to ask that Tereza</p> <p>6 pass out what we will mark as Exhibit 1. It's the ex</p> <p>7 parte order authorizing the Rule 2004 examination that</p> <p>8 was executed by Judge Overstreet on September 12, 2013.</p> <p>9 (Exhibit No. 1 marked.)</p> <p>10 BY MR. REYHANI:</p> <p>11 <b>Q. Since I'm flying a little bit blind right now,</b></p> <p>12 <b>have you had an opportunity to review the document, Mr.</b></p> <p>13 <b>Vessenes?</b></p> <p>14 A. No, but I'm reading it right now.</p> <p>15 <b>Q. Please let me know when you are ready.</b></p> <p>16 A. Okay. I'm on page 4. I'm getting there. Okay</p> <p>17 I've read it.</p> <p>18 <b>Q. Okay. Have you seen this document before</b></p> <p>19 <b>today?</b></p> <p>20 A. Yes. Well, I've seen one like it at least.</p> <p>21 I'm not sure if I have seen this exact one or not.</p> <p>22 <b>Q. When was the first time you saw this document?</b></p> <p>23 A. I don't recall.</p> <p>24 <b>Q. Have you discussed this document with anyone</b></p> <p>25 <b>prior to today?</b></p>
Page 2	Page 4
<p>1 <b>Q. I'm fine, thank you. And --</b></p> <p>2 MS. SIMONYAN: Bryan, hang on one second. We</p> <p>3 have the tech people here.</p> <p>4 (Discussion off the record.)</p> <p>5 MS. SIMONYAN: We are being told that we are</p> <p>6 transmitting just fine.</p> <p>7 MR. REYHANI: This Rule 2004 examination is</p> <p>8 being held in accordance with the Federal Rules of</p> <p>9 Procedure and Rule 2004 of the Bankruptcy Code.</p> <p>10 Ms. Glynn Levin, I assume we can agree to</p> <p>11 reserve all objections except as to form.</p> <p>12 MS. GLYNN LEVIN: I'm not sure what that means.</p> <p>13 That's not something I hear in our district. What do you</p> <p>14 mean?</p> <p>15 MR. REYHANI: You are not going to object as to</p> <p>16 relevance or anything else at this time; you are just</p> <p>17 going to object as to the form of a question?</p> <p>18 MS. GLYNN LEVIN: I could object to</p> <p>19 attorney-client privilege if you are asking me what did</p> <p>20 Peter and I talk about. That's not form, I don't think.</p> <p>21 That's substance.</p> <p>22 MR. REYHANI: I understand.</p> <p>23 MS. GLYNN LEVIN: Yes.</p> <p>24 MR. REYHANI: Let's move on.</p> <p>25 EXAMINATION</p>	<p>1 A. Yes.</p> <p>2 <b>Q. With whom did you discuss it?</b></p> <p>3 A. My attorney.</p> <p>4 <b>Q. Anyone else?</b></p> <p>5 A. I've discussed content related to the document</p> <p>6 with my -- with my of my attorneys, and maybe, maybe some</p> <p>7 contractors, but I think I wouldn't say very much.</p> <p>8 Mostly with the attorney.</p> <p>9 <b>Q. What did you discuss with the contractors?</b></p> <p>10 A. I'm not sure I understand the question. What</p> <p>11 do you mean?</p> <p>12 <b>Q. You just stated that you discussed this</b></p> <p>13 <b>document with contractors. What did you discuss with the</b></p> <p>14 <b>contractors?</b></p> <p>15 A. Again, I don't recall discussing specific, any</p> <p>16 specific items here. However, I did receive a few</p> <p>17 questions from Kelly Gates about producing some financial</p> <p>18 statements and other things. That's all to my memory.</p> <p>19 <b>Q. Who is Kelly Gates?</b></p> <p>20 A. She's a controller for CoinLab, Inc., and she</p> <p>21 works -- she works for Denali, which is in the process of</p> <p>22 getting appointed by the court to be Alydian's outsource</p> <p>23 CFO provider, CFO controller provider.</p> <p>24 <b>Q. So information regarding this proceeding you</b></p> <p>25 <b>needed to obtain from CoinLab's controller?</b></p>

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<p>1 A. Well, she also -- they have a contract with</p> <p>2 Alydian, so I'm not sure what you mean by that, but yes,</p> <p>3 we spoke to Kelly Gates about it. Or I did at least.</p> <p>4 <b>Q. And what was the scope of the information Kelly</b></p> <p>5 <b>Gates provided to you?</b></p> <p>6 A. Well, she didn't provide me any information.</p> <p>7 <b>Q. You just had discussions about information with</b></p> <p>8 <b>her?</b></p> <p>9 A. Yeah, that's right.</p> <p>10 <b>Q. And what did you discuss?</b></p> <p>11 A. Like where -- how to pull the CoinLab and</p> <p>12 Alydian invoices detailing the parts payments. I think</p> <p>13 that was largely the questions.</p> <p>14 <b>Q. Just so we are clear today, when I say debtor</b></p> <p>15 <b>CLI holding or Alydian I'm referring to CLI holding the</b></p> <p>16 <b>entity that filed for Chapter 11 bankruptcy protection in</b></p> <p>17 <b>the Western District of Washington. Is it your</b></p> <p>18 <b>understanding, Mr. Vessenes that you are appearing for</b></p> <p>19 <b>this examination today as a person knowledgeable about</b></p> <p>20 <b>the items described in Exhibit A of the Rule 2004 order?</b></p> <p>21 A. Mmm well, I don't think I'm required to,</p> <p>22 because this order was just part of what the judge</p> <p>23 signed, right? So not everything on this list is anyone</p> <p>24 required to give you; is that correct?</p> <p>25 <b>Q. All I asked you was, do you understand that you</b></p>	<p>1 remember more of them than I do, but I don't think it's</p> <p>2 material, right? We gave you the list.</p> <p>3 <b>Q. I'm just asking if you are the person with the</b></p> <p>4 <b>most knowledgeable regarding this information.</b></p> <p>5 A. I'm saying I don't know.</p> <p>6 <b>Q. Who else has knowledge?</b></p> <p>7 A. Robert Batten Bobby Seidensticker might. It's</p> <p>8 possible.</p> <p>9 <b>Q. Who else?</b></p> <p>10 A. I mean I would think that would be the probably</p> <p>11 the limits of likely people who might have more Alydian</p> <p>12 address as memorized than I do.</p> <p>13 <b>Q. No. 4, copies of any and all records and</b></p> <p>14 <b>documents relating to the business loan extended to the</b></p> <p>15 <b>debtor by XRAY Holdings including without limitation the</b></p> <p>16 <b>loan documents, corporate resolutions minutes and</b></p> <p>17 <b>correspondence.</b></p> <p>18 <b>Would anyone have more knowledge about that</b></p> <p>19 <b>than you?</b></p> <p>20 <b>MS. GLYNN LEVIN: To the best of your</b></p> <p>21 <b>knowledge.</b></p> <p>22 THE WITNESS: It's possible one of our</p> <p>23 attorneys is more familiar with the corporate</p> <p>24 resolutions, minutes and correspondence than me.</p> <p>25 BY MR. REYHANI:</p>
Page 6	Page 8
<p>1 <b>are here to testify as a person knowledgeable about the</b></p> <p>2 <b>items described in Exhibit A of the Rule 2004 order?</b></p> <p>3 A. Well, I'm not. I'm here to testify about some</p> <p>4 of them.</p> <p>5 <b>Q. Have you had a chance to review the items</b></p> <p>6 <b>listed in Exhibit A?</b></p> <p>7 A. I have, yeah.</p> <p>8 <b>Q. Do you have knowledge of each of them?</b></p> <p>9 A. No, not necessarily.</p> <p>10 <b>Q. Is there anyone other than you that would have</b></p> <p>11 <b>more knowledge regarding items specified in Exhibit A?</b></p> <p>12 A. I don't know. I would have to reread it with</p> <p>13 that in mind. Would you like me to do that?</p> <p>14 <b>Q. Sure. Let's do it together. The first one, a</b></p> <p>15 <b>list of all addresses that debtor had utilized and has</b></p> <p>16 <b>previously utilized to mine, receive, transfer, store,</b></p> <p>17 <b>hold or otherwise control bitcoins and copies of any and</b></p> <p>18 <b>all records and documents relating to these addresses.</b></p> <p>19 <b>Are you the person with the most knowledgeable</b></p> <p>20 <b>about that request?</b></p> <p>21 A. Perhaps. There's so many, no one could know</p> <p>22 all of them off the top of my head.</p> <p>23 <b>Q. Who else would know it off the top of their</b></p> <p>24 <b>head?</b></p> <p>25 A. Again, we have technical staff who might</p>	<p>1 <b>Q. Other than your attorney.</b></p> <p>2 A. I don't believe so.</p> <p>3 <b>Q. No. 5, copies of all records?</b></p> <p>4 A. I'm sorry. Go ahead. I had a question, but.</p> <p>5 <b>Q. Sure, what is your question?</b></p> <p>6 A. Well, originally you asked about all the</p> <p>7 numbers on this list, but now you are skipping 2 and 3.</p> <p>8 So are we skipping them in general for whatever</p> <p>9 representations you are asking me about this list or not?</p> <p>10 <b>Q. I'm going towards the documents that are</b></p> <p>11 <b>relating to Alydian. If you want to discuss CoinLab, I'm</b></p> <p>12 <b>more than happy to discuss CoinLab if you would like to</b></p> <p>13 <b>refer back to No. 2. No. 2, a list of all addresses that</b></p> <p>14 <b>CoinLab utilizes and has previously utilized to mine,</b></p> <p>15 <b>receive, transfer, store hold and otherwise control</b></p> <p>16 <b>bitcoins and copies of any and all records relating to</b></p> <p>17 <b>these addresses. Would anyone have more knowledge</b></p> <p>18 <b>concerning CoinLab's addresses than you?</b></p> <p>19 A. Well, I don't think that's germane to this</p> <p>20 deposition.</p> <p>21 <b>Q. You just asked me about those. So I think it's</b></p> <p>22 <b>germane now?</b></p> <p>23 <b>MS. GLYNN LEVIN: I think he was just trying to</b></p> <p>24 <b>clarify what the scope of today's deposition was on since</b></p> <p>25 <b>you referred to Exhibit A and we started with one and</b></p>

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<p>1 then went to four, I think he was just asking for</p> <p>2 clarification, not -- I wouldn't interpret that as he's</p> <p>3 offering to testify more 2 and 3.</p> <p>4 THE WITNESS: I'm not offering but I mean if</p> <p>5 the court reporter I don't know if you could read back</p> <p>6 his first question about this, he said everything on this</p> <p>7 list, and I don't think any many of these questions no</p> <p>8 one is required to be here to answer to today and so I</p> <p>9 just want to be precise about what we're discussing.</p> <p>10 BY MR. REYHANI:</p> <p>11 <b>Q. Overall would anyone have more knowledge</b></p> <p>12 <b>regarding the information that you are required to</b></p> <p>13 <b>testify about today on Exhibit A other than you?</b></p> <p>14 A. Again, it's super broad. If you want to go</p> <p>15 through line by line, I'm happy to. I mean.</p> <p>16 <b>Q. Okay.</b></p> <p>17 A. It's your -- I'm not going to answer your</p> <p>18 gentle generalities Bryan.</p> <p>19 <b>Q. Okay then we're going to be here all day on</b></p> <p>20 <b>this first question. No. 5 copies of all records and</b></p> <p>21 <b>documents relating to any and all current and past</b></p> <p>22 <b>obligations owed by the debtor to CoinLab. Would anyone</b></p> <p>23 <b>have more information than you regarding this?</b></p> <p>24 A. Well, I guess I'm not sure how to answer that.</p> <p>25 I believe we have produced everything that we have for</p>	<p>1 A. Well, other than me, Alydian has no employees.</p> <p>2 It's not clear so I'm not sure if I'm an employee or not.</p> <p>3 The lawyers are sort of opining on that for me right now.</p> <p>4 So between one and zero.</p> <p>5 <b>Q. So if you are the only employee, what other</b></p> <p>6 <b>employees could possibly have pulled the documents?</b></p> <p>7 A. Well, often documents would be kept by</p> <p>8 contractors, for instance, Hans Olson's company C ten is</p> <p>9 a contractor.</p> <p>10 <b>Q. Did Hans Olson produce documents in this</b></p> <p>11 <b>matter?</b></p> <p>12 A. I believe so.</p> <p>13 <b>Q. What other contractors?</b></p> <p>14 A. Other than Kelly Gates, I have no knowledge of</p> <p>15 any others.</p> <p>16 <b>Q. As you sit here today, you have no knowledge</b></p> <p>17 <b>who pulled documents responsive to this Rule 2004 exam?</b></p> <p>18 A. I just told you two people.</p> <p>19 <b>Q. Other than those two, you have no idea who</b></p> <p>20 <b>pulled documents?</b></p> <p>21 A. No.</p> <p>22 <b>Q. And Hans is an employee of CoinLab?</b></p> <p>23 A. No.</p> <p>24 <b>Q. He's not?</b></p> <p>25 A. No.</p>
Page 10	Page 12
<p>1 you, but I certainly was not the person with the</p> <p>2 knowledge to make all that production.</p> <p>3 <b>Q. No. 6, copies of any and all records and</b></p> <p>4 <b>documents relating to the debtor's transfer of 10,000</b></p> <p>5 <b>bitcoins to CoinLab on or about October 29, 2013. Would</b></p> <p>6 <b>anyone have more information than you concerning that</b></p> <p>7 <b>transfer?</b></p> <p>8 A. Possibly. I'm not sure. Again, same thing.</p> <p>9 We produced the documents for you, and I believe I could</p> <p>10 speak to them. Bitcoins).</p> <p>11 <b>Q. Who knew more than you, possibly?</b></p> <p>12 A. I'm not the records keeper. So when our</p> <p>13 employees pulled together documents and records for your</p> <p>14 request, as they're reading through them all and pulling</p> <p>15 them together, they might well have more knowledge than I</p> <p>16 do, but that's not to say that I can't speak to those</p> <p>17 documents.</p> <p>18 <b>Q. What employees pulled the records?</b></p> <p>19 A. I don't know. I don't know. It would vary</p> <p>20 depending on the records, I imagine.</p> <p>21 <b>Q. You don't know what employees pulled records in</b></p> <p>22 <b>response to this Rule 2004 exam?</b></p> <p>23 A. Probably every -- well, no, not precisely, no.</p> <p>24 I haven't been in the office.</p> <p>25 <b>Q. What employees does Alydian have?</b></p>	<p>1 <b>Q. Okay. So as you sit here today we could go</b></p> <p>2 <b>through the rest of this, but you have no idea who pulled</b></p> <p>3 <b>any documents other than Ms. Gates and Mr. Olson</b></p> <p>4 <b>responsive to the various requests pertaining to the Rule</b></p> <p>5 <b>2004 exam?</b></p> <p>6 A. I don't currently recall having actual</p> <p>7 knowledge of anyone else doing it.</p> <p>8 <b>Q. Is Hans a contractor of CoinLab, Hans Olson?</b></p> <p>9 A. Yes.</p> <p>10 <b>Q. What did you do to pull any documents?</b></p> <p>11 A. I pulled -- I used an email search tool to</p> <p>12 search through emails. I think that's mostly what I did.</p> <p>13 <b>Q. You did nothing else to provide documents</b></p> <p>14 <b>responsive to the Rule 2004 exam?</b></p> <p>15 A. I also provided a list of -- the list of</p> <p>16 addresses, the Alydian addresses.</p> <p>17 <b>Q. What else did you do?</b></p> <p>18 A. For direct document production, I don't recall.</p> <p>19 <b>Q. The vast majority of the documents in this</b></p> <p>20 <b>matter have been produced in span of the last week. You</b></p> <p>21 <b>don't recall what you did to produce documents?</b></p> <p>22 A. Mr. Reyhani, how many pages do the address and</p> <p>23 emails take up of what we delivered to you? Do you know?</p> <p>24 <b>Q. Mr. Vessenes I'm asking you the questions,</b></p> <p>25 <b>please.</b></p>

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<p>1 A. I'm just asking you make you said the vast 2 majority, blah blah blah, but over I personally worked on 3 my vacation and delivered over 4,000 pages of discovery 4 to you in the last week and you're asking me if I 5 remember about anything else?</p> <p>6 <b>Q. Yes. I asked you what you did.</b></p> <p>7 A. And I answered.</p> <p>8 <b>Q. You said you pulled emails. What else did you</b> 9 <b>do? And you provided addresses. What else did you do?</b></p> <p>10 A. I don't recall anything else significant.</p> <p>11 <b>Q. Have you ever been deposed?</b></p> <p>12 A. Never, but I'm enjoying it so far.</p> <p>13 <b>Q. Have you ever testified at a trial or</b> 14 <b>arbitration or any other proceeding?</b></p> <p>15 A. Yes.</p> <p>16 <b>Q. How many times?</b></p> <p>17 A. Well, I'm not sure. Once in New York. You 18 were there for that. Once for a creditor, a creditor 19 conference, I guess, or interview with creditors or 20 something.</p> <p>21 MS. SIMONYAN: Let the record reflect and 22 debtor's counsel is passing notes to the debtor.</p> <p>23 MS. GLYNN LEVIN: Sure.</p> <p>24 THE WITNESS: Once when we appeared in court 25 before Judge Overstreet, she asked me some questions.</p>	<p>1 <b>anyway. Are you taking any medications or drugs of any</b> 2 <b>kind which might make it difficult for you to understand</b> 3 <b>and answer my questions today?</b></p> <p>4 A. No.</p> <p>5 <b>Q. If you need to take a break for any reason,</b> 6 <b>please let me know and you can take a break. Do you</b> 7 <b>understand that?</b></p> <p>8 A. Yes.</p> <p>9 <b>Q. You also understand that you are under oath</b> 10 <b>today?</b></p> <p>11 A. Yes.</p> <p>12 <b>Q. Do you understand that your testimony here</b> 13 <b>today may be utilized in court?</b></p> <p>14 A. I have a question about that. I do, but in 15 which court proceedings?</p> <p>16 <b>Q. Do you understand that your testimony here</b> 17 <b>today may be utilized in court?</b></p> <p>18 A. No, I don't understand.</p> <p>19 <b>Q. Do you understand your testimony here today is</b> 20 <b>the same as if you testifying in court?</b></p> <p>21 A. Can you clarify that? What do you mean by 22 that?</p> <p>23 <b>Q. You understand you are under oath?</b></p> <p>24 A. Yes.</p> <p>25 <b>Q. And your testimony here today is akin to</b></p>
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<p>1 I'm not sure if you would count that or not. I don't 2 recall any other times.</p> <p>3 BY MR. REYHANI:</p> <p>4 <b>Q. So outside of the litigation currently in the</b> 5 <b>southern district of New York between Bitvestment and</b> 6 <b>CoinLab and the current bankruptcy proceeding for CLI.</b> 7 <b>You don't recall testifying in any other matter or</b> 8 <b>action?</b></p> <p>9 A. No.</p> <p>10 <b>Q. I want to go over some basics. I know we got</b> 11 <b>into some questions a little bit in advance, but I want</b> 12 <b>to go over some ground rules for this exam with you</b> 13 <b>today. I'm going to ask you a series of questions. If</b> 14 <b>you don't understand the question that I ask, please ask</b> 15 <b>me to clarify it and I will do so. I don't want you to</b> 16 <b>guess. Do you understand that?</b></p> <p>17 A. Yes.</p> <p>18 <b>Q. To assist the court reporter, you have to</b> 19 <b>answer all of my questions verbally and to assist me</b> 20 <b>since I can't see you, meaning you have to say yes</b> 21 <b>instead of nodding your head and try not to say uh-huh or</b> 22 <b>speak at the same time that I'm speaking. Okay?</b></p> <p>23 A. Yes.</p> <p>24 <b>Q. Your lawyer may object to the form of a</b> 25 <b>question, but you should go ahead and answer the question</b></p>	<p>1 <b>testimony that you would give at a trial?</b></p> <p>2 A. I guess I don't understand what that mean. So 3 I will say no, I don't understand that.</p> <p>4 <b>Q. You don't understand that you don't understand</b> 5 <b>that your testimony here today that you are under oath is</b> 6 <b>the same as testimony that you would provide before a</b> 7 <b>court; you don't understand that?</b></p> <p>8 <b>MS. GLYNN LEVIN: Asked and answered. I mean</b> 9 <b>he knows he's under oath and that's if it's going to be</b> 10 <b>used in court and trial, then you can use the court</b> 11 <b>procedures and the Court rules to use it.</b></p> <p>12 MR. REYHANI: Okay I just want to make sure 13 your client understood that seems it seems be fairly 14 combative in answers questions today.</p> <p>15 BY MR. REYHANI:</p> <p>16 <b>Q. Are you knitting while you are answering</b> 17 <b>questions Mr. Vessenes?</b></p> <p>18 A. I am currently knitting, yes.</p> <p>19 <b>Q. You are knitting during your testimony?</b></p> <p>20 A. I just told you what I was doing, but it may 21 change. Would you prefer I not knit, Mr. Reyhani?</p> <p>22 <b>Q. I just prefer that you take this seriously.</b></p> <p>23 A. I am very serious.</p> <p>24 <b>Q. You will have an opportunity to review your</b> 25 <b>testimony after this Rule 2004 exam but you cannot make</b></p>

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<p>1 <b>substantive changes to your testimony. Please ensure</b></p> <p>2 <b>that you answer truthfully and accurately. Okay?</b></p> <p>3 A. Yes.</p> <p>4 <b>Q. So what did you do to prepare for this Rule</b></p> <p>5 <b>2004 exam?</b></p> <p>6 A. I reviewed previous testimony that we had</p> <p>7 given. I read over declarations that I made. I skimmed</p> <p>8 the 100,000 addresses and I reviewed many of the pages</p> <p>9 that we delivered to you. I read, I'd say, most of the</p> <p>10 titles of the emails and a reasonable percentage of the</p> <p>11 emails that were delivered.</p> <p>12 <b>Q. Is that all you did?</b></p> <p>13 A. Well, I also worked on producing many of the</p> <p>14 documents. I don't recall more than that.</p> <p>15 <b>Q. Did you meet with anyone in preparation for</b></p> <p>16 <b>this Rule 2004 exam?</b></p> <p>17 A. Yes, I met with my attorneys.</p> <p>18 <b>Q. Which ones?</b></p> <p>19 A. Deirdre Glynn Levin, Roger Townsend.</p> <p>20 <b>Q. How many times did you meet with them?</b></p> <p>21 A. Can you clarify specifically about this? I'm</p> <p>22 not sure I understand. Ever?</p> <p>23 <b>Q. I'm asking you what you did to prepare for this</b></p> <p>24 <b>examination today. How many times did you meet with your</b></p> <p>25 <b>lawyers to prepare for this examination?</b></p>	<p>1 <b>testimony today, you didn't review all the transactions</b></p> <p>2 <b>relating to the debtor?</b></p> <p>3 A. I did not review every bitcoin transaction</p> <p>4 related to the debtor for this.</p> <p>5 <b>Q. Don't you think it was incumbent upon you in</b></p> <p>6 <b>this bankruptcy proceeding to have actually been prepared</b></p> <p>7 <b>to review all the transactions and discuss all the</b></p> <p>8 <b>transactions here today at the Rule 2004 exam?</b></p> <p>9 <b>MS. GLYNN LEVIN: Objection to the extent that</b></p> <p>10 <b>asks for attorney-client privilege communications.</b></p> <p>11 MR. REYHANI: I asked him if it was incumbent</p> <p>12 upon him to be prepared to discuss all transactions that</p> <p>13 are the subject of this bankruptcy.</p> <p>14 MS. GLYNN LEVIN: I know what you asked, but my</p> <p>15 objection stands because I don't know what you mean by</p> <p>16 incumbent upon. Are you saying he has a legal duty to do</p> <p>17 that? Can you clarify or rephrase your question?</p> <p>18 MR. REYHANI: I can clarify. Judge Overstreet</p> <p>19 already is apparently cognizant of the fact that the</p> <p>20 debtor has been slow to say the least in terms of</p> <p>21 producing documents and data relating to their assets and</p> <p>22 to what has transpired with their financials. She made</p> <p>23 apparently abundantly clear that Mr. Vessenes should be</p> <p>24 well prepared today in terms of discussing the goings-on</p> <p>25 of the debtor. So I ask Mr. Vessenes if he did not</p>
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<p>1 A. In preparation for this examination, we met</p> <p>2 once.</p> <p>3 <b>Q. For how long?</b></p> <p>4 A. Oh, I don't know. Perhaps a couple of hours.</p> <p>5 <b>Q. In preparation for this exam, did you review</b></p> <p>6 <b>all the various bitcoin addresses utilized by the debtor?</b></p> <p>7 A. What does utilize mean?</p> <p>8 <b>Q. Mine, store, hold, transact, transfer. Any</b></p> <p>9 <b>address where bitcoins were in and out of or held at any</b></p> <p>10 <b>time, did you review those addresses?</b></p> <p>11 A. Yes.</p> <p>12 <b>Q. And how long did that review of transactions</b></p> <p>13 <b>take you?</b></p> <p>14 <b>MS. GLYNN LEVIN: Can you clarify what you</b></p> <p>15 <b>meant by transactions? Is the mine?</b></p> <p>16 BY MR. REYHANI:</p> <p>17 <b>Q. Utilize how long did it take you to review the</b></p> <p>18 <b>bitcoin addresses and the transactions in and out or</b></p> <p>19 <b>storage or mining or otherwise utilized, how long did it</b></p> <p>20 <b>take you to review those addresses and the ins and outs</b></p> <p>21 <b>or holding of bitcoins?</b></p> <p>22 A. Well, I didn't say I reviewed all the</p> <p>23 transactions. I just said that I had reviewed the</p> <p>24 addresses utilized.</p> <p>25 <b>Q. So you in your preparation for this for your</b></p>	<p>1 believe it was incumbent upon him to come prepared and</p> <p>2 have reviewed all the various transactions relating to</p> <p>3 the debtor. There is nothing privileged about that</p> <p>4 question.</p> <p>5 BY MR. REYHANI:</p> <p>6 <b>Q. Mr. Vessenes I'm going ask you the question</b></p> <p>7 <b>again. Did you not think it was incumbent upon you to</b></p> <p>8 <b>review all the various transactions relating to the</b></p> <p>9 <b>debtor and be prepared to discuss those here today?</b></p> <p>10 A. I don't know what incumbent means, but I'm</p> <p>11 prepared to discuss all the Alydian transaction today.</p> <p>12 <b>Q. Okay. Where did you go to college, Mr.</b></p> <p>13 <b>Vessenes?</b></p> <p>14 A. I went to brown university.</p> <p>15 <b>Q. And what was your major?</b></p> <p>16 A. Mathematics.</p> <p>17 <b>Q. And cryptography?</b></p> <p>18 A. I had an emphasis in cryptography, yes.</p> <p>19 <b>Q. And you don't know what the word "incumbent"</b></p> <p>20 <b>means?</b></p> <p>21 A. I couldn't get into an English class. It's a</p> <p>22 true story. There was a lottery and I wasn't allowed in.</p> <p>23 <b>Q. I know that I can't see you but I know you can</b></p> <p>24 <b>see me and no one is laughing at this Mr. Vessenes, it's</b></p> <p>25 <b>very serious.</b></p>

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<p>1 A. Mr. Reyhani, you often mix technical legal</p> <p>2 words in with other questions and I think it's very fair</p> <p>3 for me to ask or explain to you if I don't.</p> <p>4 <b>Q. Incumbent is not a legal word, Mr. Vessenes.</b></p> <p>5 <b>How many addresses were there -- how many addresses did</b></p> <p>6 <b>Alydian, the debtor, utilize to transact hold mine store,</b></p> <p>7 <b>sell bitcoins?</b></p> <p>8 A. I believe it's six. I would like to look at</p> <p>9 what we produced to make sure that that's true, but.</p> <p>10 <b>Q. Did you bring any documents with you today?</b></p> <p>11 A. I did not.</p> <p>12 <b>Q. Did someone else bring documents on your</b></p> <p>13 <b>behalf?</b></p> <p>14 A. Not that I know of.</p> <p>15 <b>Q. Other than your attorney, did you discuss your</b></p> <p>16 <b>testimony with anyone else?</b></p> <p>17 A. What testimony?</p> <p>18 <b>Q. The testimony that you are providing today,</b></p> <p>19 <b>have you discussed in advance your testimony here today</b></p> <p>20 <b>with anyone else other than your counsel?</b></p> <p>21 A. Not particularly.</p> <p>22 <b>Q. Not particularly with whom?</b></p> <p>23 A. Not particularly I think is no to the best of</p> <p>24 my memory.</p> <p>25 <b>Q. You don't recall whether you spoke about your</b></p>	<p>1 A. Yes.</p> <p>2 <b>Q. With whom?</b></p> <p>3 A. CoinLab, Inc.</p> <p>4 <b>Q. What is your position with CoinLab, Inc.?</b></p> <p>5 A. I'm the CEO.</p> <p>6 <b>Q. Do you hold any other employment?</b></p> <p>7 A. No.</p> <p>8 <b>Q. How long have you held both of these positions?</b></p> <p>9 A. I've been the CEO of CoinLab, Inc., since</p> <p>10 September of 2011. I have not always been the senior</p> <p>11 director or executive at Alydian. I was at launch, which</p> <p>12 was, I believe, October of 2012, roughly, and Hans was,</p> <p>13 Hans Olson, was briefly CEO of Alydian in the summer, and</p> <p>14 then quit, and I took up the managing director role</p> <p>15 again.</p> <p>16 <b>Q. Hans Olson was the CEO of Alydian in the summer</b></p> <p>17 <b>of 2013?</b></p> <p>18 A. Yeah, that was his title that we went to the</p> <p>19 press with, that's correct.</p> <p>20 <b>Q. What are your current responsibilities at the</b></p> <p>21 <b>debtor?</b></p> <p>22 A. Essentially maximizing the value of the estate</p> <p>23 for the concerts.</p> <p>24 <b>Q. What do you do on a day-to-day basis regarding</b></p> <p>25 <b>mining, management, things of that nature?</b></p>
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<p>1 <b>potential, your testimony here today with anyone?</b></p> <p>2 A. Well, I told my wife about it.</p> <p>3 <b>Q. Okay. Anyone else?</b></p> <p>4 A. Other than attorneys, possible.</p> <p>5 <b>Q. Yes, other than counsel.</b></p> <p>6 A. It's possible. I'm not sure I understand what</p> <p>7 you are asking for. Did I mention it to anyone? Is that</p> <p>8 what you mean?</p> <p>9 <b>Q. Did you discuss your testimony the fact that</b></p> <p>10 <b>you were testifying here today, with anyone?</b></p> <p>11 A. Yes, I did.</p> <p>12 <b>Q. With whom?</b></p> <p>13 A. My wife.</p> <p>14 <b>Q. Anyone else?</b></p> <p>15 A. Yes. Bobby Seidensticker.</p> <p>16 <b>Q. Anyone else?</b></p> <p>17 A. Not to my memory.</p> <p>18 <b>Q. What did you discuss with Bobby Seidensticker?</b></p> <p>19 A. I just told him I wouldn't be in the office</p> <p>20 today working because I had to be at a deposition.</p> <p>21 <b>Q. What is your position with the debtor?</b></p> <p>22 A. I'm the managing director.</p> <p>23 <b>Q. Do you have any other titles?</b></p> <p>24 A. I don't know. I don't think so.</p> <p>25 <b>Q. Do you hold any other employment?</b></p>	<p>1 A. I respond to discovery requests. I talk to</p> <p>2 lawyers about outstanding litigation with Alydian. I</p> <p>3 talk to the technical and management team at Alydian</p> <p>4 about decisions relating to deployment of mining systems,</p> <p>5 hosting. Right now it's mostly like hosting questions</p> <p>6 and mining deployments.</p> <p>7 <b>Q. So your responsibilities center on mining and</b></p> <p>8 <b>the management of that, correct?</b></p> <p>9 A. I already told you what my responsibilities</p> <p>10 are.</p> <p>11 <b>Q. Okay. And your responsibilities were generally</b></p> <p>12 <b>the same prior to the debtor filing Chapter 11, correct?</b></p> <p>13 A. No. Then I was able to spend more time trying</p> <p>14 to add value to Alydian because I didn't have to deal</p> <p>15 with litigation.</p> <p>16 <b>Q. Okay. Well, the debtor here is the one that</b></p> <p>17 <b>filed for Chapter 11, so you had more responsibilities</b></p> <p>18 <b>beforehand?</b></p> <p>19 A. No. I had personally -- well, I don't know if</p> <p>20 I had more or less. Like I said, since you are the one</p> <p>21 who sued us originally, I think you know you do have a</p> <p>22 part to play what my daily job is right now. We had --</p> <p>23 we had a larger staff and a happier staff before</p> <p>24 bankruptcy. So I had fewer responsibilities then than I</p> <p>25 do now. People have quit.</p>

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<p>1 <b>Q. You are receiving \$20,000 a month from the</b></p> <p>2 <b>debtor?</b></p> <p>3 A. Not yet, no.</p> <p>4 <b>Q. Not yet, no, okay. Are you expecting to</b></p> <p>5 <b>receive \$20,000 a month from the debtor?</b></p> <p>6 A. Yes.</p> <p>7 <b>Q. But prepetition you were receiving no money in</b></p> <p>8 <b>the form of a salary from the debtor?</b></p> <p>9 A. That's correct.</p> <p>10 <b>Q. Is there a written agreement concerning this</b></p> <p>11 <b>\$20,000 that you are going -- that you are expecting as a</b></p> <p>12 <b>salary?</b></p> <p>13 A. There's not an executed agreement yet.</p> <p>14 <b>Q. Is there an unexecuted agreement?</b></p> <p>15 A. I've been told there is, but I haven't had time</p> <p>16 to review it.</p> <p>17 <b>Q. Who told you?</b></p> <p>18 A. My attorney.</p> <p>19 <b>Q. Where is the unexecuted agreement?</b></p> <p>20 A. I don't know. I would presume with her.</p> <p>21 <b>Q. We would request that that unexecuted agreement</b></p> <p>22 <b>be promptly produced at the conclusion of this</b></p> <p>23 <b>examination.</b></p> <p>24 <b>Who negotiated -- who negotiated your salary?</b></p> <p>25 A. We used -- so no one negotiated the salary.</p>	<p>1 <b>Q. Anyone else?</b></p> <p>2 A. No.</p> <p>3 <b>Q. And Hans Olson is an independent contractor?</b></p> <p>4 A. Yes.</p> <p>5 <b>Q. Do you have a staff or anyone that works with</b></p> <p>6 <b>you at Alydian?</b></p> <p>7 A. What do you mean? Are there other -- I don't</p> <p>8 understand the question.</p> <p>9 <b>Q. Who works on behalf of Alydian?</b></p> <p>10 A. Hans Olson, Robert Batten, Bobby Seidensticker,</p> <p>11 various part-time contractors.</p> <p>12 <b>Q. What are Hans Olson's responsibilities?</b></p> <p>13 A. He manages day-to-day operations.</p> <p>14 <b>Q. To this day?</b></p> <p>15 A. Yes.</p> <p>16 <b>Q. So is Hans the de facto CEO of the company?</b></p> <p>17 A. No.</p> <p>18 <b>Q. That's you?</b></p> <p>19 A. I don't know what de facto means, but I said</p> <p>20 I'm the managing director and senior leader.</p> <p>21 <b>Q. If Hans is running the day-to-day operations at</b></p> <p>22 <b>Alydian, what are you doing?</b></p> <p>23 A. I already told you what I do.</p> <p>24 <b>Q. Repeat it for me, please.</b></p> <p>25 A. I deal with litigation. I oversee decisions on</p>
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<p>1 Instead we used the same terms that we had negotiated</p> <p>2 with Hans Olson when he was running Alydian. So we used</p> <p>3 sort of a preexisting arm's length transaction to peg the</p> <p>4 salary.</p> <p>5 <b>Q. Why did the fee -- why did your salary only</b></p> <p>6 <b>start post-petition and that one you took over in</b></p> <p>7 <b>September? And by took over, I mean took over as CEO.</b></p> <p>8 A. It was a fairly fluid and slow process where</p> <p>9 Hans stepped out and I stepped in, and I think we</p> <p>10 realized no one else was wiggle to run Alydian at all</p> <p>11 post-petition and so our choice was either pay for</p> <p>12 management talent or go chapter seven right then and we</p> <p>13 decided that going Chapter 7 would not benefit the</p> <p>14 creditors.</p> <p>15 <b>Q. You weren't receiving a salary as CEO prior to</b></p> <p>16 <b>Hans Olson being CEO from Alydian; is that correct?</b></p> <p>17 A. That's correct.</p> <p>18 <b>Q. But now post-petition you are electing to</b></p> <p>19 <b>collect a salary?</b></p> <p>20 A. I'm hoping to.</p> <p>21 <b>Q. Does anyone share management responsibilities</b></p> <p>22 <b>at Alydian with you?</b></p> <p>23 A. Yes.</p> <p>24 <b>Q. Who?</b></p> <p>25 A. Hans Olson.</p>	<p>1 mining deployments and hosting contracts. I try and keep</p> <p>2 people like Hans and Robert and Bobby working so that</p> <p>3 everything doesn't stop.</p> <p>4 <b>Q. Is Hans still collecting 20,000 a month?</b></p> <p>5 A. I don't believe that's the exact number, but</p> <p>6 yes he's still -- well, I don't know. Hans is on an</p> <p>7 hourly contract with a cap. So I don't know exactly what</p> <p>8 he's collecting right now.</p> <p>9 <b>Q. So now both you and Hans are collecting a</b></p> <p>10 <b>salary that both Hans, that only Hans was collecting</b></p> <p>11 <b>before?</b></p> <p>12 A. That's not what I said.</p> <p>13 <b>Q. Well, beforehand -- all right let's take this</b></p> <p>14 <b>step-by-step. Prior to Hans becoming CEO, you were not</b></p> <p>15 <b>collecting a salary from Alydian is that correct?</b></p> <p>16 A. That's correct.</p> <p>17 <b>Q. Hans starting collecting a CEO salary during</b></p> <p>18 <b>the summer of 2013, when he was appointed CEO, correct?</b></p> <p>19 A. That's not correct.</p> <p>20 <b>Q. Did you not testify that the \$20,000 was the</b></p> <p>21 <b>same \$20,000 that Hans was collecting when he was CEO?</b></p> <p>22 A. I did. However, Hans's compensation has been</p> <p>23 the same since we first contracted with him.</p> <p>24 <b>Q. So how did you arrive at the \$20,000 figure for</b></p> <p>25 <b>your salary?</b></p>

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<p>1 A. Like I said, we looked at Hans's, the amount 2 that we paid Hans. Again, he's got an hourly and a cap. 3 And I believe we -- I think we wrote it down a little 4 bit. I think Hans's cap is a little over that amount and 5 we chose that as a fair salary since it's less than we 6 had ever paid the most senior leader.</p> <p>7 <b>Q. And by we, who is we decided that was a fair 8 salary?</b></p> <p>9 A. What with Hans? Alydian did.</p> <p>10 <b>Q. Your salary, who is the we? Who decided that 11 your salary was fair?</b></p> <p>12 A. Like I said, we chose -- we chose to peg it 13 against a previous arm's length transaction because we 14 were worried about -- I can't think of the word, but we 15 just want to make sure we had something that was less 16 than a previous arm's length transaction for similar 17 services. That was the decision.</p> <p>18 <b>Q. Who is we?</b></p> <p>19 A. In this case.</p> <p>20 <b>Q. You?</b></p> <p>21 A. I did and I took advice from my lawyers.</p> <p>22 <b>Q. Which lawyers provided you that advice?</b></p> <p>23 A. I don't recall. I certainly talked about it 24 with CoinLab's counsel, Wendy, and I spoke to Deirdre 25 about it as well.</p>	<p>1 XRAY Holdings.</p> <p>2 <b>Q. Anyone else that you report to?</b></p> <p>3 A. As the director of Alydian, no. I guess.</p> <p>4 <b>Q. Are you the sole director?</b></p> <p>5 A. I report to the court now as well, the trustee 6 because the company is in Chapter 11 protection.</p> <p>7 <b>Q. Are there any other a directors of Alydian 8 aside from you?</b></p> <p>9 A. No.</p> <p>10 <b>Q. As CoinLab, what is their percentage stake in 11 Alydian?</b></p> <p>12 A. CoinLab owns 65 percent of Alydian.</p> <p>13 <b>Q. Who do you report to at CoinLab?</b></p> <p>14 A. As the managing director of Alydian.</p> <p>15 MS. GLYNN LEVIN: Are you saying -- I don't 16 know that his testimony was that he reported to somebody 17 at CoinLab. So can you rephrase your question?</p> <p>18 MR. REYHANI: He testified that he reports to 19 the two shareholders, CoinLab and XRAY. They're 20 obviously both companies and I'm sure he's speaking to a 21 person.</p> <p>22 <b>Q. So who at CoinLab do you report to?</b></p> <p>23 A. I don't know that I report to a person at 24 CoinLab. To the extent the CoinLab shareholders or board 25 would want reports from Alydian, I would produce them.</p>
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<p>1 <b>Q. And Hans is still collecting about \$20,000 a 2 month?</b></p> <p>3 A. For November that is the case. I have not seen 4 his December bills. So I don't know what his December 5 amounts will be.</p> <p>6 <b>Q. So post-petition now both you and Hans are 7 collecting \$20,000 a month from Alydian, correct?</b></p> <p>8 A. I just said that I don't know that that's the 9 case for Hans in December.</p> <p>10 <b>Q. But for November that was the case?</b></p> <p>11 A. Well, and I have not collected any yet.</p> <p>12 <b>Q. Do you have any reason to expect Hans not to 13 collect \$20,000 for December or January?</b></p> <p>14 A. I don't know. I don't know. It's -- he had 15 some vacation time, which since he's a contractor we 16 don't pay for. I'm not sure what his December or January 17 numbers will be.</p> <p>18 <b>Q. Do you report to anyone?</b></p> <p>19 A. What do you mean by that? Do I have 20 responsibilities to anyone? What do you mean.</p> <p>21 <b>Q. Do you report to anyone, report to a board of 22 directors, do you report to anyone, do you report to 23 shareholders do you report to anyone?</b></p> <p>24 A. Yeah, so as the Alydian managing director I 25 report to -- I have two shareholders, CoinLab, Inc., and</p>	<p>1 <b>Q. Who which CoinLab shareholders or board members 2 do you provide Alydian reports to?</b></p> <p>3 A. Well, in the past -- it depends. Right now no 4 CoinLab shareholders or board members have asked for 5 reporting but as recently as September, October, it would 6 have been Joel Yarmon, Draper Venture Capital. I'm 7 trying to think. There are probably you know -- there's 8 manfield, light speed. So often investors from the funds 9 that have invested in CoinLab will have questions that 10 Alydian needs to answer. Ribbit Capital.</p> <p>11 <b>Q. So we have Joel Norman from Draper VC, Ribbit 12 Capital. Anyone else?</b></p> <p>13 A. I just told you some others.</p> <p>14 <b>Q. I'm sorry who else was there?</b></p> <p>15 A. Mayfield, Lightspeed.</p> <p>16 <b>Q. Who do you speak to at XRAY regarding Alydian?</b></p> <p>17 A. Brian Cartmell.</p> <p>18 <b>Q. Anyone else?</b></p> <p>19 A. No.</p> <p>20 <b>Q. How do you communicate with the shareholders?</b></p> <p>21 A. Mostly by phone.</p> <p>22 <b>Q. Do you email the shareholders?</b></p> <p>23 A. Occasionally. I don't email a lot right now 24 but sometimes.</p> <p>25 <b>Q. Do you email less now that you are involved in</b></p>

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<p>1 <b>two different litigations?</b></p> <p>2 A. I wouldn't tie it to litigation, but yes I do</p> <p>3 email less than I used to because I'm busier.</p> <p>4 <b>Q. Do you use text messages to interact with the</b></p> <p>5 <b>shareholders and their representatives?</b></p> <p>6 A. Very rarely. Never for corporate information,</p> <p>7 but I might set up a phone call or something over text</p> <p>8 messages.</p> <p>9 <b>Q. Do you use instant messaging with the</b></p> <p>10 <b>shareholders and their representatives?</b></p> <p>11 A. Not really. Maybe -- I might Skype with Brian</p> <p>12 Cartmell occasionally.</p> <p>13 <b>Q. The answer is yes or no. Do you use instant</b></p> <p>14 <b>messages to communicate with shareholders and their</b></p> <p>15 <b>representatives?</b></p> <p>16 A. No.</p> <p>17 <b>Q. Do you use encrypted email to communicate with</b></p> <p>18 <b>any of the aforementioned individuals or entities?</b></p> <p>19 A. No.</p> <p>20 <b>Q. Were you -- you are the only board member of</b></p> <p>21 <b>Alydian, that's correct?</b></p> <p>22 A. Yes.</p> <p>23 <b>Q. Were you always the only board member?</b></p> <p>24 A. Yes. Tereza, could I have so more water?</p> <p>25 <b>Q. Did you at any time confer with Brian Cartmell</b></p>	<p>1 A. Yes.</p> <p>2 <b>Q. And Mr. Cartmell had knowledge of all the</b></p> <p>3 <b>contracts?</b></p> <p>4 <b>MS. GLYNN LEVIN: Could you define what you</b></p> <p>5 <b>mean by pre-buy contracts.</b></p> <p>6 MR. REYHANI: I can even though your client</p> <p>7 seems to understand want pre-buy contracts are all of the</p> <p>8 pre buy contracts that Alydian the debtor entered into</p> <p>9 with customers wherein Alydian took X-dollars and</p> <p>10 promised to deliver to the promised to deliver bitcoins</p> <p>11 in the future and we could debate whether.</p> <p>12 MS. GLYNN LEVIN:</p> <p>13 MR. REYHANI: The legality of it. Those are</p> <p>14 the pre-buy contracts.</p> <p>15 MS. GLYNN LEVIN: Okay. Do you understand that</p> <p>16 what he means.</p> <p>17 MR. REYHANI: Can you restate that question? I</p> <p>18 have just kind of forgotten the first part of it.</p> <p>19 BY MR. REYHANI:</p> <p>20 <b>Q. Sure was Mr. Cartmell contemporaneously aware</b></p> <p>21 <b>of all the pre-buy agreements that are entered into with</b></p> <p>22 <b>the various customers?</b></p> <p>23 A. What does contemporaneously mean?</p> <p>24 <b>Q. As of that date.</b></p> <p>25 <b>MS. GLYNN LEVIN: Actually I think your</b></p>
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<p>1 <b>when making business decisions on behalf of the debtor?</b></p> <p>2 A. Yes.</p> <p>3 <b>Q. What decisions did you confer with Mr. Cartmell</b></p> <p>4 <b>about?</b></p> <p>5 A. Can you be more specific?</p> <p>6 <b>Q. You just testified that you consulted with Mr.</b></p> <p>7 <b>Cartmell when making business decisions on behalf of the</b></p> <p>8 <b>debtor. Which business decisions did you consult with</b></p> <p>9 <b>Mr. Cartmell about?</b></p> <p>10 A. Mr. Cartmell and I have been in business</p> <p>11 together since October of 2012. Where would you like me</p> <p>12 to start?</p> <p>13 <b>Q. Start at the beginning.</b></p> <p>14 A. Are you serious? I talked to him three or four</p> <p>15 times a week for a year and a half. Do you wish a full</p> <p>16 accounting?</p> <p>17 <b>Q. What do you talk about?</b></p> <p>18 A. Progress of the mining project, business models</p> <p>19 around the mining project, capital into the mining</p> <p>20 project, project status.</p> <p>21 <b>Q. What else?</b></p> <p>22 A. Just anything related to the ongoing operations</p> <p>23 of Alydian.</p> <p>24 <b>Q. Did you discuss the pre-buy contracts with Mr.</b></p> <p>25 <b>Cartmell?</b></p>	<p>1 <b>question was your earlier question was something</b></p> <p>2 <b>different.</b></p> <p>3 THE WITNESS: I don't mind answering. I just</p> <p>4 want a specific question I can answer. So as of what</p> <p>5 date?</p> <p>6 BY MR. REYHANI:</p> <p>7 <b>Q. As of dates of the contracts.</b></p> <p>8 A. I'm still -- so I do not believe he knew all</p> <p>9 the details of pre-buy contracts contemporaneous with the</p> <p>10 signing of those contracts, if I'm using the word</p> <p>11 correctly.</p> <p>12 MS. GLYNN LEVIN: And actually I want to make</p> <p>13 sure that the objection is that he's only testifying as</p> <p>14 to what he knows and he's not speaking on behalf of Mr.</p> <p>15 Cartmell. So just his personal knowledge.</p> <p>16 MR. REYHANI: All I'm looking for his personal</p> <p>17 knowledge but he said he had three to four calls a week</p> <p>18 with Mr. Cartmell, so?</p> <p>19 BY MR. REYHANI:</p> <p>20 <b>Q. So would Mr. Cartmell have been made aware of</b></p> <p>21 <b>the pre-buy contracts shortly after they were executed?</b></p> <p>22 <b>MS. GLYNN LEVIN: To the extent that you can</b></p> <p>23 <b>answer with your personal knowledge, yes.</b></p> <p>24 THE WITNESS: Generally he would have and I</p> <p>25 certainly would have known -- well, let me think. I</p>

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<p>1 guess I would say generally yes he would have been -- he</p> <p>2 would have known about signing them but he may not have</p> <p>3 known about each individual one. He might have just</p> <p>4 heard a summary from me.</p> <p>5 BY MR. REYHANI:</p> <p>6 <b>Q. Have you emailed with Mr. Cartmell?</b></p> <p>7 A. Sure.</p> <p>8 <b>Q. Do you have text messages to and from Mr.</b></p> <p>9 <b>Cartmell?</b></p> <p>10 A. No.</p> <p>11 <b>Q. Do you have any instant messages to and from</b></p> <p>12 <b>Mr. Cartmell?</b></p> <p>13 A. What do you mean by instant messages?</p> <p>14 <b>Q. AOL, IM. Yahoo, instant message, Google talk,</b></p> <p>15 <b>any instant message type product.</b></p> <p>16 A. No, I have none of those.</p> <p>17 <b>Q. And do you have any encrypted emails to and</b></p> <p>18 <b>from Mr. Cartmell?</b></p> <p>19 <b>MS. GLYNN LEVIN: Could you explain for me what</b></p> <p>20 <b>an encrypted email is before I decide whether my client</b></p> <p>21 <b>should or should not answer that.</b></p> <p>22 MR. REYHANI: Sure.</p> <p>23 BY MR. REYHANI:</p> <p>24 <b>Q. Actually, Mr. Vessenes, why don't you explain</b></p> <p>25 <b>what an encrypted email is?</b></p>	<p>1 A. Oh, I don't recall.</p> <p>2 <b>Q. You went out of your way to send an encrypted</b></p> <p>3 <b>emails and you don't recall what they were about?</b></p> <p>4 A. No, that's not what happened.</p> <p>5 <b>Q. What happened?</b></p> <p>6 A. Mr. Cartmell for a while sent me one or two</p> <p>7 encrypted emails. So really a small number but I'm not</p> <p>8 in the habit of encrypting my emails so we didn't</p> <p>9 continue with the practice.</p> <p>10 <b>Q. Have you ever sent an encrypted email?</b></p> <p>11 A. Yes.</p> <p>12 <b>Q. Who have you sent an encrypted email to?</b></p> <p>13 A. Oh, I don't know.</p> <p>14 <b>Q. Have you sent any encrypted emails concerning</b></p> <p>15 <b>the bankruptcy of the debtor?</b></p> <p>16 A. No.</p> <p>17 <b>Q. Have you sent any encrypted emails regarding</b></p> <p>18 <b>any of the creditors in this bankruptcy?</b></p> <p>19 A. No to my recollection.</p> <p>20 <b>Q. Other than Skype and encrypted emails and</b></p> <p>21 <b>emails and I think you said possibly some text messages,</b></p> <p>22 <b>have you engaged in any other forms of communication with</b></p> <p>23 <b>Mr. Cartmell?</b></p> <p>24 A. No. Well, yeah, no.</p> <p>25 <b>Q. What other form of communication?</b></p>
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<p>1 <b>MS. GLYNN LEVIN: Why don't you explain what</b></p> <p>2 <b>you mean by your question as an encrypted email? Maybe</b></p> <p>3 <b>we all understand the same thing.</b></p> <p>4 MR. REYHANI: I know what it means, and your</p> <p>5 client you understand the question. So why doesn't your</p> <p>6 client explain what an encrypted email and then he can</p> <p>7 testify as to whether Mr. Cartmell and he have encrypted</p> <p>8 emails to and in each other.</p> <p>9 MS. GLYNN LEVIN: He's not here to testify</p> <p>10 about technology. So you need to define it on the record</p> <p>11 so that I understand it and then he can answer the</p> <p>12 question.</p> <p>13 BY MR. REYHANI:</p> <p>14 <b>Q. An encrypted email refers to email that</b></p> <p>15 <b>utilizes PGP or GPG encryption. Does that help you all?</b></p> <p>16 <b>Probably not. Mr. Vessenes, have you engaged in the</b></p> <p>17 <b>exchange of encrypted emails with Mr. Cartmell?</b></p> <p>18 A. I'm sorry. I just stepped away for a drink.</p> <p>19 One second. Yes.</p> <p>20 <b>Q. How many encrypted emails were sent between you</b></p> <p>21 <b>and Mr. Cartmell?</b></p> <p>22 A. A very small number.</p> <p>23 <b>Q. Less than ten or less than a hundred?</b></p> <p>24 A. Less than ten.</p> <p>25 <b>Q. What were those encrypted emails about?</b></p>	<p>1 A. Well, I was thinking -- I mean we talk on the</p> <p>2 phone or the Skype is like a video or odd I don't chat.</p> <p>3 So I don't know if that's covered or not by your</p> <p>4 question.</p> <p>5 <b>Q. Other than the telephone, email, Skype,</b></p> <p>6 <b>encrypted email, possibly some text messages, any other</b></p> <p>7 <b>forms of communication with Mr. Cartmell?</b></p> <p>8 A. No.</p> <p>9 <b>Q. Why, why would you confer with Mr. Cartmell</b></p> <p>10 <b>when making a business decision on behalf of the debtor?</b></p> <p>11 A. He is the director of a company that controls,</p> <p>12 that owns 35 percent of the debtor, and is our largest</p> <p>13 creditor.</p> <p>14 <b>Q. Did Mr. Cartmell ever sway you to make a</b></p> <p>15 <b>decision that you did not agree with on behalf of the</b></p> <p>16 <b>debtor?</b></p> <p>17 A. I'm not sure I understand your question.</p> <p>18 <b>Q. Did you ever have a discussion with Mr.</b></p> <p>19 <b>Cartmell about the business of the debtor where you</b></p> <p>20 <b>wanted to do X and he wanted to do Y and you ended up</b></p> <p>21 <b>doing Y because Mr. Cartmell wanted you to do that?</b></p> <p>22 A. I don't recall a circumstance like that.</p> <p>23 <b>Q. Would anything refresh your recollection?</b></p> <p>24 A. I guess yeah, sure, ask away. Refresh away. I</p> <p>25 mean.</p>

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<p>1 <b>Q. Did you confer with Mr. Cartmell prior to</b></p> <p>2 <b>filing the Chapter 11 petition in this proceeding?</b></p> <p>3 A. Yes.</p> <p>4 <b>Q. And what did you and Mr. Cartmell discuss?</b></p> <p>5 A. Whether or not we should file for Chapter 11</p> <p>6 bankruptcy protection.</p> <p>7 <b>Q. And what was the contents of that conversation?</b></p> <p>8 A. We both agreed we should do it.</p> <p>9 <b>Q. Did you confer with Joel Yarmon when making</b></p> <p>10 <b>decisions on behalf of the debtor?</b></p> <p>11 A. Sure, yes.</p> <p>12 <b>Q. Why?</b></p> <p>13 A. Well, because he's on the CoinLab board, he</p> <p>14 often would provide opinions for the shareholders of</p> <p>15 CoinLab as to what they would like done.</p> <p>16 <b>Q. He's currently on the CoinLab board?</b></p> <p>17 A. Not currently.</p> <p>18 <b>Q. As of when was he off the CoinLab board?</b></p> <p>19 A. I don't recall, but I think we delivered to you</p> <p>20 his resignation letter as part of discovery.</p> <p>21 <b>Q. Was it in the last couple months, was it last</b></p> <p>22 <b>year? Do you have an approximate time frame?</b></p> <p>23 A. Well, it was certainly not last year, but like</p> <p>24 I said, I thought I gave you the document so you could</p> <p>25 know the precise dates. I don't have them off the top of</p>	<p>1 A. No. He provided advice.</p> <p>2 <b>Q. What kind of advice did he provide to you?</b></p> <p>3 A. He might have -- business advice, opinions</p> <p>4 about the venture capital community, thoughts on how to</p> <p>5 run the business.</p> <p>6 <b>Q. Did he provide advice as to whether or not to</b></p> <p>7 <b>adhere to a pre-buy agreement on behalf of any customers?</b></p> <p>8 A. I don't recall.</p> <p>9 <b>Q. You don't recall ever seeking Mr. Yarmon's</b></p> <p>10 <b>advice regarding the contracts that the debtor entered</b></p> <p>11 <b>into?</b></p> <p>12 A. That's not the first question you asked. Is</p> <p>13 this a second question or a follow-up to your first one?</p> <p>14 <b>Q. Whatever you'd like. Just answer the question.</b></p> <p>15 A. Can you say it again?</p> <p>16 <b>Q. You don't recall ever speaking with Joel Yarmon</b></p> <p>17 <b>or receiving advice or speaking to him about pre-buy, the</b></p> <p>18 <b>customers pre-buy contracts on behalf of the debtor?</b></p> <p>19 A. Say it again, sorry.</p> <p>20 MS. GLYNN LEVIN: Maybe you could break it up.</p> <p>21 It's kind of a compound question, Bryan.</p> <p>22 BY MR. REYHANI:</p> <p>23 <b>Q. Sure, no problem. We can take it one step at a</b></p> <p>24 <b>time. You had conversations with Joel Yarmon concerning</b></p> <p>25 <b>the business of the debtor, correct?</b></p>
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<p>1 my head.</p> <p>2 <b>Q. Joel Yarmon is employed by what company?</b></p> <p>3 A. Draper Venture Capital or if might be called</p> <p>4 Draper Associates. I don't know how much you know about</p> <p>5 venture capital, but Tim Draper has about 30 funds. I</p> <p>6 think it's Draper Venture Capital, but it might be Draper</p> <p>7 Associates.</p> <p>8 <b>Q. It's a venture capital firm associated with Tim</b></p> <p>9 <b>Draper, correct?</b></p> <p>10 A. That's correct.</p> <p>11 <b>Q. Did you email with Joel Yarmon concerning the</b></p> <p>12 <b>business of the debtor?</b></p> <p>13 A. In what time frame? When you say.</p> <p>14 <b>Q. Ever.</b></p> <p>15 A. When you say debtor, are you referring to</p> <p>16 Alydian pre- and post-petition?</p> <p>17 <b>Q. Yes.</b></p> <p>18 A. Because prepetition was not yet the debtor.</p> <p>19 <b>Q. I understand that. I said beforehand that we</b></p> <p>20 <b>were going to call Alydian, CLI, the debtor all the same</b></p> <p>21 <b>name.</b></p> <p>22 A. Thank you for reminding me. So yes of course</p> <p>23 we have emailed about Alydian.</p> <p>24 <b>Q. Was Joel Yarmon involved in making business</b></p> <p>25 <b>decisions on behalf of the debtor?</b></p>	<p>1 A. Yes.</p> <p>2 <b>Q. And you received advice from Joel Yarmon</b></p> <p>3 <b>concerning the business of the debtor, correct?</b></p> <p>4 A. Yes.</p> <p>5 <b>Q. Did you engage in discussions with Joel Yarmon</b></p> <p>6 <b>and by discussions I mean oral or written, concerning the</b></p> <p>7 <b>pre-buy contracts of the debtor?</b></p> <p>8 A. Yes.</p> <p>9 <b>Q. And what did Mr. Yarmon tell you about the</b></p> <p>10 <b>pre-buy contracts of the debtor?</b></p> <p>11 A. When at what point in time?</p> <p>12 <b>Q. You can start at the beginning.</b></p> <p>13 A. He originally -- I don't really remember what</p> <p>14 he thought when we first did the pre-buy contracts. I'm</p> <p>15 sure we discussed -- we discussed them then, but I think</p> <p>16 he felt -- yeah, I don't, I don't really recall when we</p> <p>17 first started signing the pre-buy contracts in late 2012.</p> <p>18 He liked the idea of them. As you may know, he's a</p> <p>19 creditor himself, so he purchased some. I think if we</p> <p>20 fast-forward, we spent a lot of time discussing in June</p> <p>21 and July, when Alydian was running out of money, what to</p> <p>22 do, like should we just wind it down, should we try and</p> <p>23 sell a portion of the mining rigs to get enough funding</p> <p>24 to finish the project, should we take on investment,</p> <p>25 should we just deliver rigs to those customers that</p>

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<p>1 wished them. So we had many discussions about that.</p> <p>2 <b>Q. Did you have -- I'm sorry I didn't mean to</b></p> <p>3 <b>interrupt you?</b></p> <p>4 A. Oh, no, please go ahead.</p> <p>5 <b>Q. Did you have any discussions with Mr. Yarmon</b></p> <p>6 <b>concerning the contract of investments?</b></p> <p>7 A. Yes.</p> <p>8 <b>Q. Can you describe the contents of those</b></p> <p>9 <b>discussions?</b></p> <p>10 A. Well, actually, we never spoke about</p> <p>11 Bitvestment. There were two contracts with Dan Gallancy</p> <p>12 that then got assigned, mmm.</p> <p>13 MS. GLYNN LEVIN: Just answer the question.</p> <p>14 THE WITNESS: To Dalsa Barbour, right. So we</p> <p>15 didn't ever talk specifically about Dan's first two</p> <p>16 contracts. The Dalsa Barbour agreements, I mean, I don't</p> <p>17 know. I think he thought -- I probably couldn't repeat</p> <p>18 in public what he thought about your client or his</p> <p>19 perspective.</p> <p>20 MS. GLYNN LEVIN: He didn't ask what somebody</p> <p>21 else thought about it. He asked about discussions. So</p> <p>22 that's the question on the table.</p> <p>23 THE WITNESS: I mean, I think what we mostly</p> <p>24 discussed was whether or not Dan would be able to sink</p> <p>25 Alydian, force it into bankruptcy and take away any</p>	<p>1 A. No.</p> <p>2 <b>Q. Do you send encrypted emails to and from Joel</b></p> <p>3 <b>Yarmon?</b></p> <p>4 A. No.</p> <p>5 <b>Q. Are there any other forms of communication with</b></p> <p>6 <b>Joel Yarmon?</b></p> <p>7 A. We have talked phone and email and text</p> <p>8 message. I think that's it.</p> <p>9 <b>Q. What are Alydian's storage and backup</b></p> <p>10 <b>procedures concerning communications?</b></p> <p>11 A. Well, currently, since we're in dispute mode,</p> <p>12 we retain everything.</p> <p>13 <b>Q. And prior to -- when did this dispute mode</b></p> <p>14 <b>start?</b></p> <p>15 A. We typically had a 15-day retention policy. We</p> <p>16 turned that off sometime in early 2013. So since then we</p> <p>17 have kept everything.</p> <p>18 <b>Q. And by everything, does that include emails?</b></p> <p>19 A. Yes.</p> <p>20 <b>Q. Does that include text messages?</b></p> <p>21 A. It's possible if a phone crashed or wiped out.</p> <p>22 We don't have an enterprise backup solution, but so no,</p> <p>23 we don't -- yeah, I can't say if we have got every text</p> <p>24 message in the same way that I know we have got all the</p> <p>25 emails, but employees know that they need to retain their</p>
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<p>1 chance that other purchasers would get any money out of</p> <p>2 the company or not. So those were most of the</p> <p>3 conversations we had.</p> <p>4 BY MR. REYHANI:</p> <p>5 <b>Q. Did you email with Joel Yarmon?</b></p> <p>6 A. Occasionally.</p> <p>7 <b>Q. Do you still email with Joel Yarmon?</b></p> <p>8 A. Occasionally.</p> <p>9 <b>Q. Do you email with anyone else at Tim Draper's</b></p> <p>10 <b>venture capital shop?</b></p> <p>11 A. It's possible. Not often.</p> <p>12 <b>Q. With whom do you email at Tim Draper's venture</b></p> <p>13 <b>capital shop?</b></p> <p>14 A. Very occasionally I might email with Tim or</p> <p>15 they have internal, you know, like a they will have their</p> <p>16 accounting people or their legal folks get ongoing</p> <p>17 reports.</p> <p>18 <b>Q. Anyone else specifically?</b></p> <p>19 A. Not that I recall.</p> <p>20 <b>Q. Do you text message, text message with Joel</b></p> <p>21 <b>Yarmon?</b></p> <p>22 A. Yes.</p> <p>23 <b>Q. And that's in the past and presently?</b></p> <p>24 A. Yes.</p> <p>25 <b>Q. Do you instant message with Joel Yarmon?</b></p>	<p>1 communications.</p> <p>2 <b>Q. Does Alydian capture instant messages?</b></p> <p>3 A. That's a good question. That's a technical</p> <p>4 question I don't have an answer to. I'm not sure. I</p> <p>5 think that with -- I believe that Google chat captures</p> <p>6 all that and stores it in the same place.</p> <p>7 MS. GLYNN LEVIN: Can I ask a clarification</p> <p>8 question? So do you mean does Peter capture or Alydian,</p> <p>9 and by Alydian who do you mean? Are you talking about --</p> <p>10 MR. REYHANI: The company.</p> <p>11 MS. GLYNN LEVIN: So you're talking about some</p> <p>12 amorphous sort of company data, data where that</p> <p>13 information or those communications are stored apart from</p> <p>14 an individual?</p> <p>15 MR. REYHANI: I'm asking if the company has a</p> <p>16 data retention policy and the company Alydian or anyone</p> <p>17 on Alydian's behalf captures communications just like</p> <p>18 your emails are captured through your law firm and your</p> <p>19 text messages are likely captured if you have a</p> <p>20 company-issued phone and just like your IMs are likely</p> <p>21 captured. I'm asking if Alydian captures and stores this</p> <p>22 information, and Mr. Vessenes testified that they had a</p> <p>23 15-day retention policy. They turned that off earlier in</p> <p>24 2013. He believed they captured email. He's not sure on</p> <p>25 text messages or if the phone crashes. He thinks that</p>

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<p>1 IMs, instant messages, might be captured but he's not</p> <p>2 sure. I think that was what your client has testified</p> <p>3 about. So I'm not asking if Peter is capturing it. I'm</p> <p>4 asking if the company is capturing it.</p> <p>5 MS. GLYNN LEVIN: Okay, thank you.</p> <p>6 MR. REYHANI: And retaining it.</p> <p>7 MS. GLYNN LEVIN: Thank you.</p> <p>8 THE WITNESS: Mr. Reyhani, could I have a</p> <p>9 break? I need a bathroom break. Is that okay with you?</p> <p>10 MR. REYHANI: As I said before, you are free to</p> <p>11 always ask me for a break. Not a problem. How about we</p> <p>12 go off the record for about ten minutes?</p> <p>13 MS. GLYNN LEVIN: So ten minutes to the hour.</p> <p>14 THE WITNESS: We will see you then.</p> <p>15 MR. REYHANI: Once we go off the record --</p> <p>16 let's go off the record now.</p> <p>17 (A break was taken from</p> <p>18 10:39 a.m. to 10:56 a.m.)</p> <p>19 BY MR. REYHANI:</p> <p>20 <b>Q. Is Joel Yarmon still involved with Alydian?</b></p> <p>21 A. What do you mean by "involved"?</p> <p>22 <b>Q. Does he assist in the decision-making</b></p> <p>23 <b>capabilities?</b></p> <p>24 A. No.</p> <p>25 <b>Q. What is Joel's involvement with Alydian at this</b></p>	<p>1 <b>Q. How long was the telephone call?</b></p> <p>2 A. I don't recall.</p> <p>3 <b>Q. When was the telephone call?</b></p> <p>4 A. I don't recall.</p> <p>5 <b>Q. Was it in 2014 or 2013?</b></p> <p>6 A. I don't recall.</p> <p>7 <b>Q. Was it prior -- was it prior to or after the</b></p> <p>8 <b>debtor made a motion to sell the equipment?</b></p> <p>9 A. Like I told you, it was after because he had</p> <p>10 received notice like all the other creditors.</p> <p>11 <b>Q. Did you have any discussions with Joel Yarmon</b></p> <p>12 <b>concerning the fact that you were thinking about selling</b></p> <p>13 <b>all the equipment before filing the motion?</b></p> <p>14 A. I don't recall.</p> <p>15 <b>Q. You don't recall if -- you don't recall if you</b></p> <p>16 <b>had a conversation with Joel Yarmon concerning the</b></p> <p>17 <b>potential sale of the debtor's mining equipment prior to</b></p> <p>18 <b>you filing that motion to sell?</b></p> <p>19 A. That's correct.</p> <p>20 <b>Q. Did you speak with anyone else concerning the</b></p> <p>21 <b>potential sale of the mining rigs?</b></p> <p>22 A. Yes.</p> <p>23 <b>Q. Who?</b></p> <p>24 A. Deirdre Glynn Levin. Wendy Wallace at CoinLab.</p> <p>25 Hans Olson. Bobby Seidensticker. That's it, I believe.</p>
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<p>1 <b>date?</b></p> <p>2 A. He's still going. He's a creditor. He's a</p> <p>3 potential buyer within the bankruptcy, like he and Tim</p> <p>4 might be interested in buying the rigs (Chk.</p> <p>5 <b>Q. You have had discussions with Mr. Yarmon about</b></p> <p>6 <b>purchasing the rigs?</b></p> <p>7 A. Yes.</p> <p>8 <b>Q. What did you discuss with Mr. Yarmon concerning</b></p> <p>9 <b>buying the mining rigs?</b></p> <p>10 A. I told him that we were hoping to sell them,</p> <p>11 and he like all creditors had received notice of the</p> <p>12 motion for the sale. He indicated to me that he and Tim</p> <p>13 might be interested in purchasing them.</p> <p>14 <b>Q. Was anything else discussed with Mr. Yarmon</b></p> <p>15 <b>concerning the potential sale of the mining rigs?</b></p> <p>16 A. No. I referred him to Keller Rorback.</p> <p>17 <b>Q. How many conversations did you have with Mr.</b></p> <p>18 <b>Yarmon concerning the potential sale of the mining rigs?</b></p> <p>19 A. One.</p> <p>20 <b>Q. Was it in person on the telephone or email?</b></p> <p>21 <b>How was it?</b></p> <p>22 A. It was on the telephone.</p> <p>23 <b>Q. I'm sorry. I couldn't hear that answer. How</b></p> <p>24 <b>did you communicate with Mr. Yarmon about that?</b></p> <p>25 A. It was on the telephone.</p>	<p>1 <b>Q. What were the contents of your conversation</b></p> <p>2 <b>with Wendy Wallace?</b></p> <p>3 A. She's corporate counsel for CoinLab.</p> <p>4 <b>Q. Yes, and you are selling the equipment on</b></p> <p>5 <b>behalf of Alydian. There's no privilege. What were your</b></p> <p>6 <b>conversations regarding -- with Wendy Wallace concerning</b></p> <p>7 <b>the sale of the mining rigs?</b></p> <p>8 MR. TOWNSEND: Objection to the characterization</p> <p>9 of whether there is a privilege or not for CoinLab. Your</p> <p>10 communications with your general counsel are privileged.</p> <p>11 MR. REYHANI: In his capacity as an employee of</p> <p>12 CoinLab here, he's communicating with an attorney at</p> <p>13 CoinLab concerning the sale of mining rigs of Alydian.</p> <p>14 There's nothing privileged about that. You can answer</p> <p>15 the question.</p> <p>16 BY MR. REYHANI:</p> <p>17 <b>Q. What were the contents of your communications?</b></p> <p>18 MR. TOWNSEND: Don't answer that question.</p> <p>19 THE WITNESS: Yeah, but you just asked me if I</p> <p>20 personally had talked to anyone and I told you.</p> <p>21 BY MR. REYHANI:</p> <p>22 <b>Q. Wendy Wallace. What were your communications</b></p> <p>23 <b>with Wendy Wallace concerning the sale of the mining rigs</b></p> <p>24 <b>on behalf of Alydian?</b></p> <p>25 MR. TOWNSEND: I'm going to interject here. I</p>

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<p>1 don't think you have made a record that this is a 2 nonlegal communication or laid the foundation. And I 3 don't know what the answer is, but certainly a CEO can 4 have a privileged communication with the CEO's general 5 counsel, and so unless the question is clarified, that's 6 a privilege, seeks privileged communication. 7 MR. REYHANI: Roger, it's not a privileged 8 communication and you know it. He's discussing the sale 9 of mining rigs regarding the debtor which is Alydian of 10 which he is the director with someone else at CoinLab. 11 There's nothing privileged about it. She wasn't acting 12 in her capacity as his attorney regarding those 13 communications. She wasn't providing advice, and if she 14 was, we are entitled to know it because they were there's 15 no privilege there whatsoever and if you want to fight 16 about it we can bring it in front of Judge Overstreet but 17 he is acting in the best interest of Alydian or supposed 18 to be. He's having communications with people at CoinLab 19 regarding the sale of mining rigs. We're entitled to 20 know what the contents of those discussions were. 21 MR. TOWNSEND: Bryan, it sounds like you were 22 present at that conversation. I was not. You are making 23 a lot of characterizations, a lot of assumptions 24 regarding what happened to that communication, and I 25 don't think you have made a record that those are</p>	<p>1 A. That's correct. 2 <b>Q. And in that capacity you had discussions 3 concerning the sale of mining rigs, correct?</b> 4 <b>MS. GLYNN LEVIN: Objection to the extent it 5 calls for attorney-client privileged communications. 6 Otherwise he can answer.</b> 7 BY MR. REYHANI: 8 <b>Q. You can answer the question.</b> 9 A. Yes, that's correct. 10 <b>Q. And you had communications with people outside 11 of Alydian concerning the sale of mining rigs, correct?</b> 12 A. Yes. 13 <b>Q. And you had conversations with Wendy Wallace 14 concerning the sale of those mining rigs, correct?</b> 15 A. I believe so. 16 <b>Q. Well, about three minutes ago you said yes so 17 now you believe so. What were the contents of those 18 conversations with Wendy Wallace?</b> 19 A. Are we just back at that same conversation? 20 Are you asking are you asking acting in my capacity as 21 Alydian's managing director did I approach CoinLab's 22 generally counsel? Is that what you are asking? 23 <b>Q. That's not what I asked. Should we go through 24 the whole litany of questions that I just asked to get to 25 this stage. You are acting on behalf of the debtor; you</b></p>
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<p>1 nonlegal communications. 2 MS. SIMONYAN: Does Wendy Wallace represent the 3 debtor? 4 MR. TOWNSEND: Wendy Wallace is the general 5 counsel for CoinLab, Inc. Mr. Vessenes is the CEO of 6 CoinLab, Inc. You asked a very general question about 7 the communications between the CEO and the company's 8 attorney. Unless you can narrow that question, that 9 calls for attorney-client privileged communication. I'm 10 not saying you can't. There's not a question you can't 11 ask, but you haven't done it. 12 MR. REYHANI: Of course. No problem. 13 BY MR. REYHANI: 14 <b>Q. In this bankruptcy proceeding you are acting in 15 your capacity as the debtor's CEO or managing director or 16 whatever your title is, correct, Mr. Vessenes?</b> 17 A. The managing director, Mr. Reyhani, yes. 18 <b>Q. Okay, the managing director and in your 19 capacity of managing director you are trying to usher 20 Alydian through this bankruptcy process, correct?</b> 21 A. I don't know what "usher" means, but I'm in 22 charge of the debtor right now, yes, that's correct. 23 <b>Q. And in your capacity as being in charge of the 24 debtor you are exploring all options to maximize creditor 25 value, correct?</b></p>	<p>1 <b>are the managing director of the debtor?</b> 2 A. At times, that is so. 3 MR. TOWNSEND: Don't talk over him. 4 THE WITNESS: I'm sorry, go ahead, please 5 continue. 6 BY MR. REYHANI: 7 <b>Q. You are essentially the point person for the 8 debtor in this bankruptcy proceeding, correct?</b> 9 A. I'm the managing director of Alydian, yes. 10 <b>Q. And your job we'll go through this again is to 11 attempt to maximize creditor value in this bankruptcy 12 proceeding correct?</b> 13 A. That's correct. 14 <b>Q. And you are doing --</b> 15 <b>MS. GLYNN LEVIN: Go ahead. No, go ahead.</b> 16 BY MR. REYHANI: 17 <b>Q. And as managing director of the debtor, you 18 elected to file a motion to sell the mining rigs in this 19 proceeding, correct?</b> 20 <b>MS. GLYNN LEVIN: Again, to the extent that you 21 are asking about advice, I am going to object. I 22 understand where you are going, so let's just get there, 23 and maybe ultimately this is a question that does need to 24 be ruled on by the Court as to if you want to know what 25 his communications were with Wendy Wallace because there</b></p>

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<p>1 is an objection on the record that that is subject to</p> <p>2 attorney-client privilege, and I mean it has actually not</p> <p>3 come up before frankly, so it is not.</p> <p>4 MR. REYHANI: I would love to hear -- let's</p> <p>5 preserve this for the record -- what is the</p> <p>6 attorney-client privilege between the managing director</p> <p>7 of Alydian and the general counsel of CoinLab when the</p> <p>8 managing director of Alydian is trying to maximize</p> <p>9 creditor value by selling mining rigs if he had a mining</p> <p>10 rig discussion regarding the sale, you guys can't just</p> <p>11 sit there and shake your heads and say it's privileged.</p> <p>12 We can come back here and do this again in a couple of</p> <p>13 days, that's fine, but you both well know that there's no</p> <p>14 privilege whatsoever regarding Mr. Vessenenes's</p> <p>15 conversation as a managing director of Alydian and him</p> <p>16 having conversations with the general counsel of CoinLab.</p> <p>17 That's absurd.</p> <p>18 MR. TOWNSEND: It's not. I mean, my position</p> <p>19 is to the extent that you -- I mean, you already asked</p> <p>20 him about motions and legal decisions, and to the extent</p> <p>21 we're talking about that, that's outside -- that's within</p> <p>22 the scope of the privilege. To the extent you are asking</p> <p>23 about a business decision or decision that might pertain</p> <p>24 to her capacity as an other than legal counsel, then I</p> <p>25 think that's potentially fair ground. I don't think you</p>	<p>1 Q. Mr. Vessenenes, you are the managing director of</p> <p>2 Alydian, correct?</p> <p>3 MR. TOWNSEND: We don't need to go through the</p> <p>4 same questions again. If you feel like your record is</p> <p>5 complete, I don't, but, you know, proceed with your</p> <p>6 deposition.</p> <p>7 MR. REYHANI: That's fine. If you don't, I</p> <p>8 want to have a complete record.</p> <p>9 BY MR. REYHANI:</p> <p>10 Q. Mr. Vessenenes, you are the managing director of</p> <p>11 Alydian, correct?</p> <p>12 MR. TOWNSEND: Objection; asked and answered</p> <p>13 many times.</p> <p>14 BY MR. REYHANI:</p> <p>15 Q. You can answer the question.</p> <p>16 A. Yes.</p> <p>17 MS. GLYNN LEVIN: That's not controverted. I</p> <p>18 mean, go ahead and ask him something that controversial</p> <p>19 just in the interest of time, Bryan. I mean, I</p> <p>20 understand your concern and I understand what you are</p> <p>21 asking for, I do, and you have put it on the record and</p> <p>22 we have stated our position. I respect yours, and I just</p> <p>23 don't think we're going to be able to resolve it right</p> <p>24 now. So in the interest of time, let's.</p> <p>25 MR. REYHANI: You actually haven't.</p>
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<p>1 have made that record and I think that -- look, she's</p> <p>2 providing legal advice to Mr. Vessenenes, and we're not</p> <p>3 going to waive that privilege.</p> <p>4 MR. REYHANI: I haven't heard any testimony</p> <p>5 that she's provided any legal advice whatsoever.</p> <p>6 MR. TOWNSEND: You are not going to hear</p> <p>7 testimony about the legal advice. That's the nature of</p> <p>8 the privilege, right? We're not going to tell you the</p> <p>9 privilege, the privileged communication to the extent</p> <p>10 there are any and frankly I don't even know and I don't</p> <p>11 know if you have made a record that there are or there</p> <p>12 are not privileged communication.</p> <p>13 MR. REYHANI: How could there possibly be a</p> <p>14 privileged communication between Mr. Vessenenes as the MD</p> <p>15 of Alydian, the debtor, and the GC of another company?</p> <p>16 MS. GLYNN LEVIN: Bryan, I respect your</p> <p>17 position. You need to respect ours and we need to figure</p> <p>18 out how to move on and resolve this, I think, in another</p> <p>19 way, because.</p> <p>20 MR. TOWNSEND: And you didn't frame the</p> <p>21 question appropriately. Mr. Vessenenes is the CEO of</p> <p>22 CoinLab and.</p> <p>23 MR. REYHANI: Roger, Roger, I'm not -- if you</p> <p>24 want to do the ten-step tango again, fine.</p> <p>25 BY MR. REYHANI:</p>	<p>1 MS. GLYNN LEVIN: Let's figure out how it's</p> <p>2 going to be -- maybe it will have to be resolved by the</p> <p>3 court.</p> <p>4 MR. REYHANI: I mean Judge Overstreet has</p> <p>5 already been concerned about Mr. Vessenenes purportedly</p> <p>6 hiding behind CoinLab let me finish speaking.</p> <p>7 MS. GLYNN LEVIN: Go ahead.</p> <p>8 MR. REYHANI: And your objection is a total</p> <p>9 farce, given that basic law school 101 will tell you that</p> <p>10 there -- how could you possibly have a privileged</p> <p>11 communication between the MD of the debtor and a</p> <p>12 different company that might be interested in purchasing</p> <p>13 the assets? Do you understand what you are objecting to?</p> <p>14 THE WITNESS: I'm sorry to interrupt you, but I</p> <p>15 would like another quick bathroom break. I'm not feeling</p> <p>16 well. Maybe you guys can argue about this while I'm</p> <p>17 gone.</p> <p>18 MS. GLYNN LEVIN: You need to be here. Let's</p> <p>19 go ahead and take a break. Do you mind if he takes a</p> <p>20 bathroom break?</p> <p>21 MR. REYHANI: Sure, we can take a five-minute</p> <p>22 break.</p> <p>23 (A break was taken from</p> <p>24 11:10 a.m. to 11:16 a.m.)</p> <p>25 MR. REYHANI: I'd like to note for the record</p>

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<p>1 that Mr. Vessenes was conferring with list attorneys.</p> <p>2 BY MR. REYHANI:</p> <p>3 <b>Q. Mr. Vessenes did you discuss anything</b></p> <p>4 <b>substantive regarding your testimony with your counsel?</b></p> <p>5 <b>MS. GLYNN LEVIN: What.</b></p> <p>6 THE WITNESS: I'm not sure I understand. Do I</p> <p>7 have to disclose conversations with my attorneys.</p> <p>8 MR. TOWNSEND: No.</p> <p>9 BY MR. REYHANI:</p> <p>10 <b>Q. There was a question on the table. You asked</b></p> <p>11 <b>for a bathroom break. We took a break. You were</b></p> <p>12 <b>conferring with your attorneys before you answered the</b></p> <p>13 <b>question. I'd like to know, were you discussing the</b></p> <p>14 <b>contents of your testimony?</b></p> <p>15 A. Yeah I was curious whether or not just what</p> <p>16 they thought about the privilege question and I did ask</p> <p>17 them about that.</p> <p>18 <b>Q. Mr. Vessenes CoinLab and Alydian are two</b></p> <p>19 <b>distinct companies correct?</b></p> <p>20 A. That is correct.</p> <p>21 <b>Q. Just as Alydian and Boeing are two distinct</b></p> <p>22 <b>companies, correct?</b></p> <p>23 A. It is not the same.</p> <p>24 <b>Q. It is what?</b></p> <p>25 A. It's not the same as Alydian and Boeing?</p>	<p>1 <b>director of Alydian.</b></p> <p>2 A. I don't think I did. I think that you are</p> <p>3 misstating what I said.</p> <p>4 <b>Q. You testified, and we can have the court</b></p> <p>5 <b>reporter read back what you testified to, I said who did</b></p> <p>6 <b>you discuss the sale of mining rigs with on behalf of the</b></p> <p>7 <b>debtor. You said Wendy Wallace, Bobby Seidensticker and</b></p> <p>8 <b>a few other people.</b></p> <p>9 A. Oh, maybe I misunderstood what on behalf of the</p> <p>10 debtor meant if that's the case. Alydian's legal advice</p> <p>11 on the bankruptcy almost all comes from Deirdre Glynn</p> <p>12 Levin. In fact, actually that's it, because we have no</p> <p>13 other special counsel. So Alydian doesn't go to anyone</p> <p>14 for legal advice outside Deirdre, you know, as a matter</p> <p>15 of communication, yes, so.</p> <p>16 <b>Q. Since you have not sought legal counsel in</b></p> <p>17 <b>connection with the bankruptcy proceeding on behalf of</b></p> <p>18 <b>Alydian from anyone other than Ms. Glynn Levin --</b></p> <p>19 MR. TOWNSEND: Objection.</p> <p>20 BY MR. REYHANI:</p> <p>21 <b>Q. -- tell me what you discussed with Ms. Wallace</b></p> <p>22 <b>about.</b></p> <p>23 MR. TOWNSEND: Objection; misstates prior</p> <p>24 testimony. Go ahead, you can answer.</p> <p>25 THE WITNESS: I told her we were likely to try</p>
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<p>1 <b>Q. You have two distinct corporate entities,</b></p> <p>2 <b>correct?</b></p> <p>3 A. Yes.</p> <p>4 <b>Q. If you had a conversation with Boeing's</b></p> <p>5 <b>generally counsel concerning the sale of mining rigs, do</b></p> <p>6 <b>you think that would be privileged?</b></p> <p>7 <b>MS. GLYNN LEVIN: That calls for a legal</b></p> <p>8 <b>conclusion and I will object. Immaterial I'm just</b></p> <p>9 <b>curious as to his opinion.</b></p> <p>10 THE WITNESS: I'm not a lawyer Mr. Reyhani. I</p> <p>11 have no idea.</p> <p>12 MS. GLYNN LEVIN: You just ask him factual</p> <p>13 questions and what he has personal knowledge of.</p> <p>14 BY MR. REYHANI:</p> <p>15 <b>Q. Did you have business discussions with Ms.</b></p> <p>16 <b>Wallace or legal discussions with Ms. Wallace?</b></p> <p>17 A. In my capacity as the Alydian managing</p> <p>18 director?</p> <p>19 <b>Q. Yes.</b></p> <p>20 A. In my capacity as the Alydian managing</p> <p>21 director, I'm not sure I ever -- I'm not sure I've had</p> <p>22 any discussions with Ms. Wallace as the ad Alydian</p> <p>23 managing director.</p> <p>24 <b>Q. You just testified that you discussed with her</b></p> <p>25 <b>the sale of mining rigs on behalf of as the managing</b></p>	<p>1 and get these sold as quickly as possible, and that it</p> <p>2 seemed like, given the market prices at the time, that</p> <p>3 would make the most money for the estate.</p> <p>4 BY MR. REYHANI:</p> <p>5 <b>Q. What else did you discuss with her?</b></p> <p>6 A. About Alydian mining sale.</p> <p>7 <b>Q. The sale of the mining rigs.</b></p> <p>8 A. On behalf of Alydian? Nothing that I recall.</p> <p>9 <b>Q. What did Ms. Wallace say to you?</b></p> <p>10 A. I don't recall. Not much.</p> <p>11 <b>Q. Why would you have discussed this with Wendy</b></p> <p>12 <b>Wallace?</b></p> <p>13 A. My office is next to hers and I was talking to</p> <p>14 her.</p> <p>15 <b>Q. You discussed the sale the mining rigs with</b></p> <p>16 <b>Bobby Seidensticker?</b></p> <p>17 A. Yes.</p> <p>18 <b>Q. What did you discuss with him?</b></p> <p>19 A. I asked him to please stay because if he quits</p> <p>20 the mining rigs will stop working and we will have no</p> <p>21 future bitcoins mined.</p> <p>22 <b>Q. Who else did you discuss the sale. Mining rigs</b></p> <p>23 <b>with? We have Wendy. We have got Bobby. You have Joel.</b></p> <p>24 <b>You have Tim. Joel Yarmon and draper. Who else have you</b></p> <p>25 <b>had these discussions with?</b></p>

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<p>1 A. Hans Olson.</p> <p>2 <b>Q. What did you discuss with Hans Olson?</b></p> <p>3 A. I asked him how long he would be willing to</p> <p>4 stay around and he said end of January.</p> <p>5 <b>Q. Does he have another job lined up?</b></p> <p>6 A. I don't know.</p> <p>7 <b>Q. Does he have another mining project lined up?</b></p> <p>8 A. I don't know.</p> <p>9 <b>Q. Would Joel Yarmon or Tim Draper have the</b></p> <p>10 <b>capability of running the mining rigs that you are trying</b></p> <p>11 <b>to sell?</b></p> <p>12 <b>MS. GLYNN LEVIN: Objection. I mean to the</b></p> <p>13 <b>extent you are personal knowledge of their capability.</b></p> <p>14 THE WITNESS: I would -- I don't think so. I</p> <p>15 don't know. You mean them personally? I doubt it.</p> <p>16 BY MR. REYHANI:</p> <p>17 <b>Q. They would need to hire a team of people to</b></p> <p>18 <b>assist them to run the mining rigs?</b></p> <p>19 <b>MS. GLYNN LEVIN: Again, objection. If you</b></p> <p>20 <b>have personal knowledge of that, but if you have</b></p> <p>21 <b>discussed that with them, you can testify.</b></p> <p>22 THE WITNESS: Yeah, I don't know. I mean what</p> <p>23 I do know is that draper has -- they do have highly</p> <p>24 technical employees. I have no idea if they have got the</p> <p>25 people you need to operate these or not.</p>	<p>1 A. Possibly. I believe -- it's possible.</p> <p>2 <b>Q. What price was discussed?</b></p> <p>3 A. Well, I told him, you know, that we're planning</p> <p>4 on some sort of bidding procedure to maximize the price,</p> <p>5 and that I think we put in our court -- did we put in our</p> <p>6 declaration a dollar amount? I don't recall.</p> <p>7 MS. GLYNN LEVIN: I can't say.</p> <p>8 THE WITNESS: You can't say. At one point we</p> <p>9 planned on putting a minimum bid of \$2,000 per terahash</p> <p>10 as a minimum price in. So I believe that I told him that</p> <p>11 that would be the opening bid or the minimum bid.</p> <p>12 BY MR. REYHANI:</p> <p>13 <b>Q. So Alydian would be willing to sell their</b></p> <p>14 <b>mining rigs for \$2,000 per terahash times 212; so</b></p> <p>15 <b>approximately \$420,000, that be the minimum bid that</b></p> <p>16 <b>Alydian would accept?</b></p> <p>17 A. It's true that that would be the minimum bid</p> <p>18 that would be accepted, but we would only sell to the</p> <p>19 highest bidder. I think that's what we told the Court.</p> <p>20 I would start -- my approach would be to start bidding</p> <p>21 low and see what happens, hope for more bidders.</p> <p>22 <b>Q. Are you planning on bidding?</b></p> <p>23 A. No, I won't bid.</p> <p>24 <b>Q. Personally on the mining figures?</b></p> <p>25 A. No, I won't bid.</p>
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<p>1 BY MR. REYHANI:</p> <p>2 <b>Q. Did you discuss with Joel Yarmon that you would</b></p> <p>3 <b>sell the mining figures to Mr. Yarmon, Mr. Draper or to</b></p> <p>4 <b>CoinLab and that you continue to run the operation?</b></p> <p>5 A. No.</p> <p>6 <b>Q. Did you discuss a price with Mr. Yarmon or Mr.</b></p> <p>7 <b>Draper?</b></p> <p>8 A. I told him what we talked about putting in the</p> <p>9 motion.</p> <p>10 MS. GLYNN LEVIN: With who? I'm sorry, that's</p> <p>11 kind of a -- I realize that they work together, but can</p> <p>12 you make sure you don't give a compound question about</p> <p>13 the discussions? So let's just answer the first one as</p> <p>14 to Yarmon and then as to draper. Those are two different</p> <p>15 people, right?</p> <p>16 THE WITNESS: They are indeed.</p> <p>17 MS. GLYNN LEVIN: Yes, so do you want to</p> <p>18 restate your question, please?</p> <p>19 MR. REYHANI: Sure could the court reporter</p> <p>20 read back my question.</p> <p>21 (Record read.)</p> <p>22 MR. REYHANI: Thank you.</p> <p>23 BY MR. REYHANI:</p> <p>24 <b>Q. Mr. Vessenes, did you discuss a price for the</b></p> <p>25 <b>sale of the mining rigs with Mr. Yarmon?</b></p>	<p>1 <b>Q. Is CoinLab going to bid?</b></p> <p>2 <b>MS. GLYNN LEVIN: To the extent you know.</b></p> <p>3 THE WITNESS: CoinLab will not bid for those</p> <p>4 rigs.</p> <p>5 BY MR. REYHANI:</p> <p>6 <b>Q. Will board members of CoinLab bid on the rigs?</b></p> <p>7 <b>MS. GLYNN LEVIN: To the extent you know.</b></p> <p>8 THE WITNESS: There's only one current board</p> <p>9 member of CoinLab, which is me, and I don't plan on</p> <p>10 bidding on the rigs.</p> <p>11 BY MR. REYHANI:</p> <p>12 <b>Q. Will shareholders of CoinLab bid on the rigs?</b></p> <p>13 A. I don't know.</p> <p>14 <b>Q. These rigs are held in data centers, correct?</b></p> <p>15 A. That's correct.</p> <p>16 <b>Q. And to the layperson, to all the lawyers in the</b></p> <p>17 <b>room and everyone else, they're pretty complex pieces of</b></p> <p>18 <b>machinery, correct?</b></p> <p>19 A. That's correct.</p> <p>20 <b>Q. There are a specialized chipsets. They're</b></p> <p>21 <b>running -- they're highly specialized and would likely</b></p> <p>22 <b>need someone with possibly your level of sophistication</b></p> <p>23 <b>or Mr. Olson's level of sophistication to continue to run</b></p> <p>24 <b>those rigs, correct?</b></p> <p>25 A. That's not correct.</p>

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<p>1 <b>Q. Explain to me who can run these rigs properly.</b></p> <p>2 A. Well, I could not and neither could Mr. Olson.</p> <p>3 It requires engineers.</p> <p>4 <b>Q. Okay. Electrical engineers, computer science</b></p> <p>5 <b>majors? What are we talking about here?</b></p> <p>6 A. You need a UNIX system administrator and</p> <p>7 possibly an electrical engineer.</p> <p>8 <b>Q. Are all the mining rigs around the world the</b></p> <p>9 <b>same?</b></p> <p>10 A. No.</p> <p>11 <b>Q. You guys -- Alydian made its own rigs?</b></p> <p>12 A. Yes.</p> <p>13 <b>Q. Based upon its own design plans?</b></p> <p>14 A. What is a design plan?</p> <p>15 <b>Q. A schematic for a rig prior to putting it</b></p> <p>16 <b>together, did you have a schematic or a design plan prior</b></p> <p>17 <b>to putting together the rig, or did you just guess and</b></p> <p>18 <b>put together all the components?</b></p> <p>19 A. Alydian, I suppose, had its own, I don't know</p> <p>20 if you would call them schematics but had a number of</p> <p>21 designs.</p> <p>22 <b>Q. We will come back to the rigs. Who is Jodie</b></p> <p>23 <b>Brady?</b></p> <p>24 A. She's the former CFO of CoinLab, Inc.</p> <p>25 <b>Q. And you say "former." When did she become the</b></p>	<p>1 and a number of contractors and part-time people.</p> <p>2 <b>Q. What are their, generally, their educational</b></p> <p>3 <b>and professional background?</b></p> <p>4 <b>MS. GLYNN LEVIN: Specifically who are you</b></p> <p>5 <b>talking about? Can we go one by one? Because I think</b></p> <p>6 <b>that.</b></p> <p>7 MR. REYHANI: Sure. I'm sorry.</p> <p>8 BY MR. REYHANI:</p> <p>9 <b>Q. I want to know what type of individuals are</b></p> <p>10 <b>necessary to make the project work. So I was asking for</b></p> <p>11 <b>the general background of Mr. Olson, Mr. Seidensticker,</b></p> <p>12 <b>Mr. Batten, the contractors. We could take this one by</b></p> <p>13 <b>one if it's easier. What is Mr. Olson's background?</b></p> <p>14 A. I believe he's an electrical engineer by</p> <p>15 training. He gave some testimony in New York, though,</p> <p>16 which you have about his education background and his</p> <p>17 work background.</p> <p>18 <b>Q. And he's the chief engineer on the project?</b></p> <p>19 A. No, he's not.</p> <p>20 <b>Q. Who is the chief engineer on the project?</b></p> <p>21 A. Robert Batten.</p> <p>22 <b>Q. So what is Hans Olson doing on the project?</b></p> <p>23 A. Didn't we already talk about this earlier</p> <p>24 today?</p> <p>25 <b>Q. I'm asking you again.</b></p>
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<p>1 <b>former?</b></p> <p>2 A. I don't recall. She resigned as CFO sometime</p> <p>3 in the summer.</p> <p>4 <b>Q. Was she involved with Alydian?</b></p> <p>5 A. Yes.</p> <p>6 <b>Q. What services did she provide to Alydian?</b></p> <p>7 A. Financial oversight, forecasting probably</p> <p>8 some -- accounting. Maybe some bookkeeping.</p> <p>9 <b>Q. Why did she resign as CFO of CoinLab?</b></p> <p>10 A. I gave testimony about that in New York</p> <p>11 already.</p> <p>12 MS. GLYNN LEVIN: You can answer.</p> <p>13 THE WITNESS: But essentially she felt that</p> <p>14 CoinLab was investing too much money in Alydian and that</p> <p>15 it was likely to go under.</p> <p>16 BY MR. REYHANI:</p> <p>17 <b>Q. Does she still provide services to the debtor?</b></p> <p>18 A. No.</p> <p>19 <b>Q. Alydian?</b></p> <p>20 A. That is the debtor.</p> <p>21 <b>Q. Does she still provide services to CoinLab?</b></p> <p>22 A. No.</p> <p>23 <b>Q. Who is currently working on the Alydian, on the</b></p> <p>24 <b>Alydian mining rig project?</b></p> <p>25 A. Hans Olson, Robert Batten, Bobby Seidensticker,</p>	<p>1 A. He's sourcing hosting agreements. At this</p> <p>2 point, Hans is kind of close to God (chk). He's</p> <p>3 negotiating final hosting deals. He's providing</p> <p>4 day-to-day management of contractors and employees, or</p> <p>5 not employees but contractors.</p> <p>6 So like this week they're -- he was leading a</p> <p>7 burned-out board repair thing where a bunch of the mining</p> <p>8 boards have some little problem but they have enough</p> <p>9 parts to repair them, and he has rounded up the people to</p> <p>10 do that and make sure they have the resources to do it,</p> <p>11 that sort of thing. Day-to-day ops.</p> <p>12 <b>Q. How many -- aside from Mr. Olson and Mr.</b></p> <p>13 <b>Seidensticker and Mr. Batten, how many other contractors</b></p> <p>14 <b>do you have working on the project?</b></p> <p>15 A. I don't know.</p> <p>16 <b>Q. Two, ten, twenty?</b></p> <p>17 A. At peak assembly, it was at least 15. I</p> <p>18 believe it's very small right now, but I don't know. I'm</p> <p>19 just not sure where they're at exactly.</p> <p>20 <b>Q. If you want to hire -- what is Mr.</b></p> <p>21 <b>Seidensticker's background?</b></p> <p>22 A. He has a computer science degree.</p> <p>23 <b>Q. And Mr. Batten?</b></p> <p>24 A. I don't know. I'm not sure.</p> <p>25 <b>Q. Mr. Batten, did you hire Mr. Batten?</b></p>

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<p>1 A. No. Hans did.</p> <p>2 <b>Q. Did Hans discuss the hire with you?</b></p> <p>3 A. Yes.</p> <p>4 <b>Q. And what did he say concerning Mr. Batten and</b></p> <p>5 <b>the need to hire him at debtor?</b></p> <p>6 A. Well, it wasn't the debtor, but he -- he said</p> <p>7 he had worked with him on previous projects and that he</p> <p>8 could save the project from crashing and burning.</p> <p>9 <b>Q. Is Mr. Batten an electrical engineer?</b></p> <p>10 <b>MS. GLYNN LEVIN: I think he already said he</b></p> <p>11 <b>didn't know his background.</b></p> <p>12 BY MR. REYHANI:</p> <p>13 <b>Q. What is he actually doing on a day-to-day basis</b></p> <p>14 <b>at the debtor?</b></p> <p>15 A. What is Robert Batten doing right now? He's</p> <p>16 like -- there's this problem where some of the boards</p> <p>17 exploded and send out like a mole ten lava thing and</p> <p>18 melts everything and sends smoke everywhere. He's</p> <p>19 figuring out why that happens and making sure that all</p> <p>20 the boards that exhibit that problem get pulled and fixed</p> <p>21 before they melt the data center down. I was like oh my</p> <p>22 God when they told me. I was like awe.</p> <p>23 <b>Q. If you wanted to hire other employees or</b></p> <p>24 <b>consultants or contractors or whatever you might call</b></p> <p>25 <b>them to work on the Alydian project, how would you go</b></p>	<p>1 needed an electrical engineer, I would recruit a</p> <p>2 electrical engineer. If I need ed a software guy I would</p> <p>3 work recruit a software guy.</p> <p>4 <b>Q. And that's a fairly simple task to be able to</b></p> <p>5 <b>recruit those individuals? You could post something</b></p> <p>6 <b>online for a jobsite or you could ask a friend? There's</b></p> <p>7 <b>plenty of electrical engineers or managers around that</b></p> <p>8 <b>could assist you with the project.</b></p> <p>9 <b>MS. GLYNN LEVIN: If you know. This is just a</b></p> <p>10 <b>second. This is kind of going outside the scope of</b></p> <p>11 <b>what -- this is kind of hypothetical and I'm not even</b></p> <p>12 <b>sure you have established that my client is the one that</b></p> <p>13 <b>does, that has that task to go out and hire people. So I</b></p> <p>14 <b>mean, I'm not quite sure where this is going but it seems</b></p> <p>15 <b>to be getting a little far a stray and little outside our</b></p> <p>16 <b>scope, I think.</b></p> <p>17 <b>MR. REYHANI: I disagree.</b></p> <p>18 BY MR. REYHANI:</p> <p>19 <b>Q. Mr. Vessenes you put in your declaration that</b></p> <p>20 <b>you submitted yesterday that you anticipate people</b></p> <p>21 <b>leaving the project as of January 31st, correct?</b></p> <p>22 A. That's correct.</p> <p>23 <b>Q. Okay. But those people are readily replaceable</b></p> <p>24 <b>by other individuals out, out there in the world that</b></p> <p>25 <b>have the same backgrounds, correct?</b></p>
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<p>1 <b>about procuring such individuals?</b></p> <p>2 <b>MS. GLYNN LEVIN: And what do you mean by the</b></p> <p>3 <b>Alydian project? I mean just.</b></p> <p>4 <b>MR. REYHANI: Mining a bitcoin.</b></p> <p>5 <b>MS. GLYNN LEVIN: We have got lots of different</b></p> <p>6 <b>hostings so I want to make sure if you are going to use</b></p> <p>7 <b>project, then define what you mean by project. Do you</b></p> <p>8 <b>mean.</b></p> <p>9 BY MR. REYHANI:</p> <p>10 <b>Q. Okay Mr. Vessenes does Alydian do anything</b></p> <p>11 <b>other than mine bitcoins?</b></p> <p>12 A. No. Well, I suppose it's trying to sell its</p> <p>13 mining rigs. So those are the two things.</p> <p>14 <b>Q. I think we all know what project is. If you</b></p> <p>15 <b>needed other individuals to assist Alydian on the bitcoin</b></p> <p>16 <b>mining project, how would you go about procuring such</b></p> <p>17 <b>individuals?</b></p> <p>18 A. I don't think that we do. I think we're</p> <p>19 actually trying to wind down at this point.</p> <p>20 <b>Q. I didn't say what you are doing. I said if you</b></p> <p>21 <b>wanted other individuals to assist Alydian on the bitcoin</b></p> <p>22 <b>mining project and their rigs, how would you go about</b></p> <p>23 <b>procuring such individuals?</b></p> <p>24 A. But to do what? It would vary, I suppose. If</p> <p>25 I needed a manager, I would recruit a manager. If I</p>	<p>1 A. Well, while one might be able to recruit</p> <p>2 someone with a similar resume, that does not mean that</p> <p>3 they have the facility with bitcoin mining or with the</p> <p>4 Alydian systems to drop in and replace. So.</p> <p>5 <b>Q. What is so specialized about Alydian's?</b></p> <p>6 <b>Continue on, I'm sorry.</b></p> <p>7 A. No, go ahead.</p> <p>8 <b>Q. What is so specialized about Alydian's systems?</b></p> <p>9 A. They're a custom architected with custom</p> <p>10 software and custom hardware, so maybe an analogy that</p> <p>11 would help you would be if you were to buy an old Italian</p> <p>12 sports car you might want a mechanic, not just any</p> <p>13 mechanic but one who knows Italian sports cars.</p> <p>14 <b>Q. So there would be a very potentially limited</b></p> <p>15 <b>people who would be able to run the Alydian mining rigs,</b></p> <p>16 <b>correct?</b></p> <p>17 A. I don't know the answer to that. So I'm not</p> <p>18 sure but I would say that I don't have a long list of</p> <p>19 them in front of me right now.</p> <p>20 <b>Q. And among the people most specialized to run</b></p> <p>21 <b>the Alydian mining rigs would be Hans Olson and whatever</b></p> <p>22 <b>engineers are currently working on the project, correct?</b></p> <p>23 A. As I said, I don't believe Hans could run the</p> <p>24 rigs on his own. I think you would need a Lynn in this</p> <p>25 case system administrator and a electrical engineer. But</p>

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<p>1 Hans hasn't practiced as an electrical engineer in a long 2 time.</p> <p>3 <b>Q. But he's a chip engineer with at least 35 years 4 of experience, correct?</b></p> <p>5 A. I don't know. You tell me.</p> <p>6 <b>Q. He works with you, Mr. Vessenes.</b></p> <p>7 <b>MS. GLYNN LEVIN: If you know.</b></p> <p>8 THE WITNESS: Like I said, I don't recall all 9 the stuff and you have probably got his trial declaration 10 right there.</p> <p>11 BY MR. REYHANI:</p> <p>12 <b>Q. Who designed the debtor's mining rigs?</b></p> <p>13 A. What part of the mining rigs?</p> <p>14 <b>Q. Start from the beginning.</b></p> <p>15 A. Well, the mining rigs contain software, custom 16 hardware, custom chips, board layouts, power supplies, 17 enclosures, cooling systems. What are you interested in?</p> <p>18 <b>Q. All of it. Who put together the rig, who 19 designed it, who put out the specs to be able to put the 20 whole thing together? Was it one person, was it more 21 than one person, was it -- did you outsource it to some 22 third party?</b></p> <p>23 A. It varies, depending --</p> <p>24 <b>Q. Did Mr. Olson?</b></p> <p>25 A. -- on the parts.</p>	<p>1 A. By "chipset" do you mean the mining chip 2 itself?</p> <p>3 <b>Q. That and if there are others, feel free to 4 elaborate.</b></p> <p>5 A. I'm just not sure I understand what you mean. 6 Do you mean like the little computer chip that was made 7 by SMIC? Is that what you are referring to?</p> <p>8 <b>Q. Yes.</b></p> <p>9 A. What was his name? Brad Martin did -- Brad 10 Martin and four or five other contractors did the first 11 draft on circuit design, logic and circuit design for the 12 chip and then a company called bright finished what is 13 called layout, layout and test.</p> <p>14 <b>Q. Who dealt with the cooling component of these 15 mining rigs?</b></p> <p>16 A. I don't know. It was a contractor that Robert 17 hired. I don't recall the name.</p> <p>18 <b>Q. Who possesses the design plans for these rigs?</b></p> <p>19 A. I don't know what you mean by "design plans."</p> <p>20 <b>Q. We went through this before. Is there some 21 type of schematic or blueprint or something? I mean I 22 don't think you are putting together a 23 multi-thousand-dollar mining rig just from thin air. I'm 24 sure someone is laying it out and putting it down and 25 putting pen to paper and laying out how this all goes</b></p>
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<p>1 <b>Q. Who designed the software?</b></p> <p>2 A. The software split between the bitcoin client, 3 the bitcoin pool software, something called the stratum 4 server. Then there's middle level proxy server, and 5 below the midlevel proxy server is a piece that controls 6 that controls something called FPGAs, which are like 7 programmable mini-computers. There's software that runs 8 on the FPGAs that talks to the chips, and there's the 9 chips themselves. That's just the software. What part 10 would you like me to talk about?</p> <p>11 <b>Q. Who had the know-how to put all that together 12 on the software side?</b></p> <p>13 A. Probably a thousand people worked on that full 14 software stack I just described to you.</p> <p>15 <b>Q. Who worked on it at Alydian to be able to pull 16 it all together?</b></p> <p>17 A. A number of contractors worked on the embedded 18 software. Robert Batten did FPGA programming. Bobby 19 Seidensticker worked on the some of the system stuff, and 20 some of the low level embedded software.</p> <p>21 Like I said, there's, you know, many, many more 22 people and often the code will rely on code written from 23 other people and so on.</p> <p>24 <b>Q. Let's discuss the chipsets that are being 25 utilized. Who was able to make those work?</b></p>	<p>1 together. Who possesses that layout design, plan?</p> <p>2 A. And I don't know what "possesses" means to you, 3 but Robert Batten probably did most of the designs in 4 concert with perhaps some outsourced design firms.</p> <p>5 <b>Q. Where do those designs sit today?</b></p> <p>6 A. If they are in Robert's possession, they would 7 be on his computer in the offices in Portland. If 8 they're in possession of -- if they're in the possession 9 of vendors, they would presumably be with the vendors.</p> <p>10 <b>Q. Do you have Mr. Olson's telephone number and 11 email address?</b></p> <p>12 A. Yes.</p> <p>13 <b>Q. Could you provide it, please?</b></p> <p>14 A. Right this moment?</p> <p>15 MS. GLYNN LEVIN: No. Provide it later.</p> <p>16 THE WITNESS: It will be provided, sure.</p> <p>17 BY MR. REYHANI:</p> <p>18 <b>Q. You don't know Mr. Olson's telephone number and 19 email address?</b></p> <p>20 A. You want it right now? It's Hans at 21 CoinLab.com.</p> <p>22 <b>Q. And what is his telephone number?</b></p> <p>23 A. I don't have it. I have it in my phone, but I 24 left my phone behind today. I'm sorry.</p> <p>25 <b>Q. What is Mr. Seidensticker's email address?</b></p>

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<p>1 A. Bobby at CoinLab.com.</p> <p>2 <b>Q. And do you have his telephone number?</b></p> <p>3 A. Same story.</p> <p>4 <b>Q. And Mr. Batten?</b></p> <p>5 A. Robert at CoinLab.com.</p> <p>6 <b>Q. And do you have his telephone number?</b></p> <p>7 A. No, not on me.</p> <p>8 <b>Q. We would request his telephone number and all</b></p> <p>9 <b>of their addresses also at the conclusion of this</b></p> <p>10 <b>examination.</b></p> <p>11 <b>What -- is Mr. Batten an employee of CoinLab?</b></p> <p>12 <b>MS. GLYNN LEVIN: Wait a second. We're not --</b></p> <p>13 <b>we'll talk about that later. I'm not sure about that</b></p> <p>14 <b>request. I'm just not sure about that request at this</b></p> <p>15 <b>point, why he would have to turn over those phone numbers</b></p> <p>16 <b>at this point. Can you go through me?</b></p> <p>17 <b>MR. REYHANI: Sure, if you want to give it to</b></p> <p>18 <b>me by tonight, that's fine. I mean, it's readily</b></p> <p>19 <b>accessible information.</b></p> <p>20 <b>MS. GLYNN LEVIN: Because you want to speak to</b></p> <p>21 <b>these people?</b></p> <p>22 <b>THE WITNESS: They should have a chance to get</b></p> <p>23 <b>representation if lawyers are going to call them.</b></p> <p>24 <b>MS. GLYNN LEVIN: For sure. One of them is a</b></p> <p>25 <b>creditor at least, so I don't know if he has</b></p>	<p>1 <b>today?</b></p> <p>2 A. I don't know because we denominate it in</p> <p>3 bitcoin mining speed rather than rigs. I believe</p> <p>4 something like 175 terahashes is mining currently.</p> <p>5 <b>Q. Out of a potential 212 or so --</b></p> <p>6 A. No, it will be less.</p> <p>7 <b>Q. -- terahashes?</b></p> <p>8 A. No. It will be less than that.</p> <p>9 <b>Q. Are you sure? Do you need to revisit your</b></p> <p>10 <b>declaration? It would be less than 212? What is the</b></p> <p>11 <b>maximum terahash output from your mining rigs?</b></p> <p>12 A. It is changing all the time because we have</p> <p>13 parts that go bad or, you know, other potential problems.</p> <p>14 I spoke with Bobby Seidensticker last night and</p> <p>15 I'm getting different numbers from different people. He</p> <p>16 thinks 195, maybe. Hans thinks 190. It could be 200.</p> <p>17 Somewhere in that range.</p> <p>18 <b>Q. The parts for Alydian's mining rigs are paid</b></p> <p>19 <b>for in U.S. dollars, correct?</b></p> <p>20 <b>MS. GLYNN LEVIN: By who?</b></p> <p>21 <b>THE WITNESS: Alydian paid for some of its</b></p> <p>22 <b>parts with dollars and some with bitcoins.</b></p> <p>23 <b>BY MR. REYHANI:</b></p> <p>24 <b>Q. Okay. If Alydian were to receive a U.S. dollar</b></p> <p>25 <b>denominated cash infusion, it could purchase parts for</b></p>
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<p>1 representation. Anyway, we can talk about that at the</p> <p>2 end. You can continue.</p> <p>3 <b>MR. REYHANI: That's fine. It's not your fight</b></p> <p>4 <b>to fight, and we're still entitled to the information.</b></p> <p>5 <b>BY MR. REYHANI:</b></p> <p>6 <b>Q. So is Mr. Batten an employee of CoinLab?</b></p> <p>7 A. Yes.</p> <p>8 <b>Q. If Alydian were to sell its mining rigs, as you</b></p> <p>9 <b>indicated is the best course of action for Alydian for</b></p> <p>10 <b>the creditors, is there any reason that a purchaser</b></p> <p>11 <b>should be concerned that the rigs would be nonfunctional</b></p> <p>12 <b>next month?</b></p> <p>13 A. Well, I would assume Alydian will sell</p> <p>14 everything as is, where is, so Alydian certainly won't</p> <p>15 make any representations or warranties going out past of</p> <p>16 the purchase date. I don't know of any reason they won't</p> <p>17 keep running, but I'm not an electrical engineer.</p> <p>18 <b>Q. Okay. But they're in good working condition as</b></p> <p>19 <b>we sit here today, correct?</b></p> <p>20 A. I just told you some exploded with volcanos of</p> <p>21 lava. They're not in all good working condition. But</p> <p>22 many are. I mean they're made up a lot of components.</p> <p>23 If any one fails, part or all of that system may or may</p> <p>24 not continue working. So it varies is the answer.</p> <p>25 <b>Q. How many how many rigs are up and running</b></p>	<p>1 <b>more rigs; isn't that correct?</b></p> <p>2 <b>MS. GLYNN LEVIN: Objection; hypothetical. I</b></p> <p>3 <b>mean, what are you talking about? Did you ask him if</b></p> <p>4 <b>Alydian is intending to do that?</b></p> <p>5 <b>MR. REYHANI: No, I didn't. I just said, if</b></p> <p>6 <b>Alydian received money, it would have the ability to</b></p> <p>7 <b>purchase more rigs, correct?</b></p> <p>8 <b>MS. GLYNN LEVIN: Ability? I'm not just not</b></p> <p>9 <b>sure what you are getting at, where this is going. This</b></p> <p>10 <b>sounds very hypothetical. There is a motion that is</b></p> <p>11 <b>pending for Alydian to sell its mining rigs. That's the</b></p> <p>12 <b>extent of the operation at this point.</b></p> <p>13 <b>BY MR. REYHANI:</b></p> <p>14 <b>Q. That's all well and good, but it's currently</b></p> <p>15 <b>mining bitcoins to this day, right, Mr. Vessenes?</b></p> <p>16 A. That's correct.</p> <p>17 <b>Q. If Alydian received a cash infusion, could it</b></p> <p>18 <b>not apply such cash to purchase parts for more mining</b></p> <p>19 <b>rigs?</b></p> <p>20 A. I suppose that it could.</p> <p>21 <b>Q. And with more mining rigs Alydian could mine</b></p> <p>22 <b>more bitcoins, correct?</b></p> <p>23 A. That's not necessarily so. So I would say no.</p> <p>24 <b>Q. Okay. If you would like to be evasive, we can</b></p> <p>25 <b>play with this for five minutes.</b></p>

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<p>1 A. I'm not being evasive, Mr. Reyhani.</p> <p>2 <b>Q. If Alydian --</b></p> <p>3 A. I'm being precise.</p> <p>4 <b>Q. If Alydian -- no, you are being evasive. If</b></p> <p>5 <b>Alydian --</b></p> <p>6 MR. TOWNSEND: Objection; argumentative.</p> <p>7 BY MR. REYHANI:</p> <p>8 <b>Q. If Alydian went from 200 terahashes of</b></p> <p>9 <b>computing power to 400 terahashes of computing power,</b></p> <p>10 <b>would Alydian not mine more bitcoins?</b></p> <p>11 A. It would not necessarily mine more bitcoins,</p> <p>12 because --</p> <p>13 <b>Q. The probability of it mining more bitcoins --</b></p> <p>14 <b>yes, because what?</b></p> <p>15 A. Because it depends on what the rest of the</p> <p>16 bitcoin mining network is doing at the time. If Alydian</p> <p>17 has 1 percent of all mining, which it doesn't I believe</p> <p>18 have right now, but if it did, and then the rest of the</p> <p>19 mining network triples in speed and Alydian only doubles,</p> <p>20 it will mine less bitcoins.</p> <p>21 <b>Q. So if Alydian's terahash output became 2</b></p> <p>22 <b>percent of the mining of the total computer terahash</b></p> <p>23 <b>network as opposed to 1 percent, isn't it a fact that</b></p> <p>24 <b>Alydian would be mining more bitcoins?</b></p> <p>25 A. If Alydian increases the percentage of total</p>	<p>1 <b>review the documents or are you familiar with them?</b></p> <p>2 A. I'm familiar with them. I would like a moment</p> <p>3 just to skim them and make sure I recognize the whole</p> <p>4 document. Is that all right with you?</p> <p>5 <b>Q. Please.</b></p> <p>6 A. (Witness reviews document.)</p> <p>7 I have read it and I'm familiar with 2. I'm</p> <p>8 quite familiar with what I assume Exhibit 3 is, but give</p> <p>9 me a second here.</p> <p>10 MS. GLYNN LEVIN: Just for the record,</p> <p>11 Exhibit 2 has an Exhibit A to it, and I do not see that</p> <p>12 attached, at least not in my copy today. That is</p> <p>13 referenced in paragraph 5.</p> <p>14 MR. REYHANI: That's noted. Thank you.</p> <p>15 THE WITNESS: All right, Bryan. Go ahead.</p> <p>16 BY MR. REYHANI:</p> <p>17 <b>Q. So is it fair to say I assume you have seen</b></p> <p>18 <b>these documents before?</b></p> <p>19 A. Yes.</p> <p>20 <b>Q. Let's discuss the first declaration. Did you</b></p> <p>21 <b>discuss this document with anyone?</b></p> <p>22 A. I'm sorry, which exhibit are you referring to?</p> <p>23 <b>Q. Exhibit 2, your first declaration in support of</b></p> <p>24 <b>the motion to sell. Did you discuss that document with</b></p> <p>25 <b>anybody?</b></p>
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<p>1 mining power against the global mining power that it is</p> <p>2 competing with, it will on average mine more bitcoins,</p> <p>3 that's correct.</p> <p>4 MR. REYHANI: I'm going to ask Tereza to hand</p> <p>5 out to be marked as Exhibits 2 and 3 by the court</p> <p>6 reporter the declaration of Peter Vessenes in support of</p> <p>7 motion for bidding procedures order and for sale of</p> <p>8 assets under 11 U.S.C. 363. That will be marked</p> <p>9 Exhibit 2, and to be marked as Exhibit 3, the</p> <p>10 supplemental declaration of Peter Vessenes.</p> <p>11 MS. GLYNN LEVIN: Bryan, can you give us an</p> <p>12 idea when we might take a lunch break, because here on</p> <p>13 this coast it's noon, or almost noon?</p> <p>14 MR. REYHANI: Sure. You tell me what is best</p> <p>15 for you. I'm happy to accommodate.</p> <p>16 MR. TOWNSEND: We can go off the record for this</p> <p>17 one.</p> <p>18 (Discussion off the record.)</p> <p>19 (Exhibit Nos. 2 and 3 marked.)</p> <p>20 BY MR. REYHANI:</p> <p>21 <b>Q. We're back on the record. Before you, Mr.</b></p> <p>22 <b>Vessenes, marked as Exhibits 2 and 3 are your first</b></p> <p>23 <b>declaration in support of the motion to sell and the</b></p> <p>24 <b>supplemental declaration in support the same motion.</b></p> <p>25 <b>Have you seen these -- do you need a minute to</b></p>	<p>1 A. Yes.</p> <p>2 <b>Q. With whom did you discuss it?</b></p> <p>3 A. Deirdre Glynn Levin.</p> <p>4 <b>Q. Anybody else?</b></p> <p>5 A. Not that I recall.</p> <p>6 <b>Q. The Exhibit 3, the second declaration, did you</b></p> <p>7 <b>discuss that document with anybody?</b></p> <p>8 A. Yes.</p> <p>9 <b>Q. Prior to today? With whom?</b></p> <p>10 A. Deirdre Glynn Levin.</p> <p>11 <b>Q. Anybody else?</b></p> <p>12 A. Roger Townsend.</p> <p>13 <b>Q. Anybody else?</b></p> <p>14 A. No.</p> <p>15 <b>Q. If I could turn your attention to paragraph 16</b></p> <p>16 <b>of the supplemental declaration that is in your hand,</b></p> <p>17 <b>Exhibit 3. We have here the comment that we discussed</b></p> <p>18 <b>earlier that, and I quote, because Alydian's core team</b></p> <p>19 <b>has stated they likely do not wish to remain on after</b></p> <p>20 <b>January 31, 2014.</b></p> <p>21 <b>Who is this core team?</b></p> <p>22 A. Robert -- hold on. My names got all funny. I</p> <p>23 say them in order. Hans Olson, Bobby Seidensticker, and</p> <p>24 Robert. I just blanked on his last name. I've said it</p> <p>25 too many times today. Robert.</p>

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<p>1 MS. GLYNN LEVIN: Batten.</p> <p>2 THE WITNESS: Robert Batten. Thank you.</p> <p>3 BY MR. REYHANI:</p> <p>4 <b>Q. And who do these three individuals report to?</b></p> <p>5 A. To me.</p> <p>6 <b>Q. And they are all CoinLab employees?</b></p> <p>7 A. No, that's not correct.</p> <p>8 <b>Q. Who is a CoinLab employee?</b></p> <p>9 A. Bobby Seidensticker and Robert Batten.</p> <p>10 <b>Q. And Mr. Olson is a contractor to CoinLab?</b></p> <p>11 A. That's correct.</p> <p>12 <b>Q. Are you laying them off after January 31, 2014,</b></p> <p>13 <b>so that they can't work on the project anymore?</b></p> <p>14 A. No, they threatened to quit unless they were</p> <p>15 paid retention bonuses, and this is the date they were</p> <p>16 willing to stay to.</p> <p>17 <b>Q. Do they have other jobs lined up about which</b></p> <p>18 <b>you are aware?</b></p> <p>19 A. I don't know.</p> <p>20 <b>Q. If CoinLab continued to compensate them at</b></p> <p>21 <b>their current rate, would they stay on?</b></p> <p>22 A. Not to work on Alydian. I don't believe any of</p> <p>23 them would stay on.</p> <p>24 <b>Q. So they would just all quit their jobs and</b></p> <p>25 <b>collect unemployment or quit their jobs and not collect</b></p>	<p>1 A. No, I say that the spot market price times the</p> <p>2 amount of mining was \$11 million.</p> <p>3 <b>Q. So if you were to attempt to sell those rigs</b></p> <p>4 <b>you should receive somewhere in the ballpark of</b></p> <p>5 <b>\$11 million correct?</b></p> <p>6 A. No, and in fact.</p> <p>7 <b>Q. At that time?</b></p> <p>8 A. Not necessarily. In fact if you keep reading</p> <p>9 that same paragraph I plain that that's not the case.</p> <p>10 <b>Q. How much would you have gathered -- how much</b></p> <p>11 <b>would you have collected if you sold these rigs in the</b></p> <p>12 <b>middle of December of 2013?</b></p> <p>13 A. I don't know.</p> <p>14 <b>Q. So if today's spot market price was</b></p> <p>15 <b>\$6.2 million, what is the sale price?</b></p> <p>16 <b>MS. GLYNN LEVIN: Object.</b></p> <p>17 BY MR. REYHANI:</p> <p>18 <b>Q. What would be the sale price today of these</b></p> <p>19 <b>mining rigs?</b></p> <p>20 A. Well, we don't know.</p> <p>21 <b>Q. You generated the \$6.2 million figure by</b></p> <p>22 <b>looking into the marketplace and seeing what other mining</b></p> <p>23 <b>rigs or the amount of computing power is being generated</b></p> <p>24 <b>out in the publicly available world, correct?</b></p> <p>25 A. No, that's not quite correct.</p>
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<p>1 unemployment because they weren't fired?</p> <p>2 <b>MS. GLYNN LEVIN: If you know.</b></p> <p>3 THE WITNESS: I don't know.</p> <p>4 BY MR. REYHANI:</p> <p>5 <b>Q. On the next page, towards the tail end of</b></p> <p>6 <b>paragraph 17, line 7, you noted that the mining rigs you</b></p> <p>7 <b>believe would yield \$6.2 million in the spot market; is</b></p> <p>8 <b>that correct?</b></p> <p>9 A. That's correct.</p> <p>10 <b>Q. And yet Alydian is willing it sell them for</b></p> <p>11 <b>approximately \$400,000 as a minimum bid in this</b></p> <p>12 <b>bankruptcy proceeding?</b></p> <p>13 A. That's a long question. I said that was a</p> <p>14 minimum bid, but I said that we would sell them to the</p> <p>15 highest bidder.</p> <p>16 <b>Q. What if the highest bidder was \$400,000? You</b></p> <p>17 <b>would proceed with a \$400,000 sale when the product is</b></p> <p>18 <b>purportedly worth 6.2 million?</b></p> <p>19 A. I think that provided we feel we have got a</p> <p>20 good and broad recognition of bidders and that we have a</p> <p>21 fair process, if that's the market price, that's the</p> <p>22 market price.</p> <p>23 <b>Q. You claim here that the rigs were worth more</b></p> <p>24 <b>just a few weeks ago they would have generated about</b></p> <p>25 <b>\$11 million in sale in December, correct?</b></p>	<p>1 <b>Q. How did you generate the \$6.2 million figure?</b></p> <p>2 A. I looked at a realtime market which is for</p> <p>3 hashing only. You buy and sell hashes at this realtime</p> <p>4 market. And I took the spot price, the price that trades</p> <p>5 were clearing at right then, and we multiplied that by</p> <p>6 the amount of capacity that we had.</p> <p>7 <b>Q. So all things being equal, do you mean hosted</b></p> <p>8 <b>mining?</b></p> <p>9 A. The spot market, as I explain in my</p> <p>10 declaration, is not quite like buying a mining rig.</p> <p>11 Someone else provides the hashes and they promise to</p> <p>12 provide them forever, and they promise to do all the</p> <p>13 maintenance and operations work on them.</p> <p>14 So when someone buys that promise on a spot</p> <p>15 market, they're buying a maintenance-free operations,</p> <p>16 cost-free hash, but they're taking counterparty risk as</p> <p>17 well, which is to say that perhaps the company will go</p> <p>18 away that is providing those hashes. And so it's not</p> <p>19 apples to apples, making a trade on a spot market like</p> <p>20 that, and purchasing underlying hardware.</p> <p>21 <b>Q. On the spot market -- I just want to make sure</b></p> <p>22 <b>I understand your testimony. On the spot market the</b></p> <p>23 <b>hosted mining of these hashes forever would essentially</b></p> <p>24 <b>potentially yield Alydian \$6.2 million, yet with the</b></p> <p>25 <b>belief that someone is going to be receiving bitcoins in</b></p>

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<p>1 the future, that would generate \$6.2 million and then</p> <p>2 some?</p> <p>3 A. Oh, my God. Can you please break that up? I'm</p> <p>4 sorry. That was like a full paragraph. What do you want</p> <p>5 to know?</p> <p>6 Q. Why would someone pay of \$6.2 million for a</p> <p>7 product that you claim can't generate sufficient bitcoins</p> <p>8 to even meet the debtor's contracts?</p> <p>9 MS. GLYNN LEVIN: Objection. It's not a</p> <p>10 question that the debtor can answer, but if you can</p> <p>11 answer, but it's not really calling for his personal</p> <p>12 knowledge.</p> <p>13 THE WITNESS: I still don't understand because</p> <p>14 you're mixing like a whole bunch of stuff about creditor</p> <p>15 claims and pricing values and all that. What do you want</p> <p>16 to know?</p> <p>17 BY MR. REYHANI:</p> <p>18 Q. Well, you are trying to rush this whole sale</p> <p>19 process through bankruptcy court by claiming in the spot</p> <p>20 market you could get \$6.2 million for the terahashes.</p> <p>21 My question to you is, if you think you can</p> <p>22 get -- the person who would be making that investment</p> <p>23 would probably want to see a return on that \$6.2 million,</p> <p>24 correct?</p> <p>25 A. Agreed.</p>	<p>1 of return.</p> <p>2 THE WITNESS: So I don't know. I have no idea</p> <p>3 what someone who is buying or trading bitcoin mining</p> <p>4 hashes would expect, but I could tell you, like I mean I</p> <p>5 could imagine people trading for all kinds of reasons.</p> <p>6 Like you might buy something because you expect other</p> <p>7 people to push the price up and then sell it later. You</p> <p>8 might buy it to cover a hedge out some other complex</p> <p>9 financial instrument you have. I could imagine a lot of</p> <p>10 reasons, but I don't really know.</p> <p>11 BY MR. REYHANI:</p> <p>12 Q. You would buy a mining rig to hedge against</p> <p>13 another complex financial instrument?</p> <p>14 A. I might not, but someone could.</p> <p>15 Q. Explain to me how that would work.</p> <p>16 MS. GLYNN LEVIN: Just for the record, while I</p> <p>17 appreciate the comment about my client's expertise in the</p> <p>18 area, he isn't here as an expert witness. So to the</p> <p>19 extent that he has opinions that relate to the business</p> <p>20 decision of a debtor in possession, that's one thing. To</p> <p>21 the extent that you are asking opinions that are really</p> <p>22 like opinion-type testimony, I don't think that's</p> <p>23 appropriate for a 2004 exam. He's here to testify as to</p> <p>24 the facts about the debtor. That's the scope of a 2004.</p> <p>25 It's been pretty broad. I've really not objected too</p>
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<p>1 Q. And you have testified in your declarations and</p> <p>2 in various proceedings that you think the rates of</p> <p>3 Alydian's generated bitcoins is going to go down to nil</p> <p>4 eventually?</p> <p>5 A. Well, it won't go to zero, but it will get very</p> <p>6 low.</p> <p>7 Q. So is it your -- so the person that would be</p> <p>8 investing \$6.2 million for a hosted mining contract would</p> <p>9 have the belief and assumption that those mining rigs</p> <p>10 would generate at least \$6.2 million of bitcoin; isn't</p> <p>11 that correct?</p> <p>12 MS. GLYNN LEVIN: Objection; hypothetical and</p> <p>13 it's outside his personal knowledge.</p> <p>14 MR. REYHANI: It's squarely within his personal</p> <p>15 knowledge. He's got more experience in this space than</p> <p>16 almost anyone in the world.</p> <p>17 THE WITNESS: Thanks.</p> <p>18 MR. REYHANI: He's the chairman of bitcoin</p> <p>19 foundation. He understands --</p> <p>20 MS. GLYNN LEVIN: Which is great, but it</p> <p>21 doesn't --</p> <p>22 MR. REYHANI: It doesn't what? I don't</p> <p>23 appreciate the laughter. I'm asking him a question. In</p> <p>24 any business, wouldn't someone who is paying \$6.2 million</p> <p>25 for a hosted mining equipment expect at least that rate</p>	<p>1 much about relevance, but he's not here to testify as an</p> <p>2 expert witness.</p> <p>3 MR. TOWNSEND: He has opined about the price of</p> <p>4 the rigs numerous times in various declarations.</p> <p>5 THE WITNESS: And I would like to say so far I</p> <p>6 have been correct. The price keeps dropping and it is</p> <p>7 very unlikely that these systems will ever mine what they</p> <p>8 would have gotten if they could have been sold earlier,</p> <p>9 and the price keeps going down and I explain why I think</p> <p>10 that's true here. And I'm happy to have it on the</p> <p>11 record, I put that in the declaration, but you asked me,</p> <p>12 Bryan, maybe in the interest of time because it's before</p> <p>13 lunch, why would someone do this. I don't know. I think</p> <p>14 that the current spot prices are overexuberant and that</p> <p>15 is a very very good reason to sell these quickly. Now,</p> <p>16 if we have been able to move more quickly, we probably</p> <p>17 could have made more money at it but slowing things down</p> <p>18 on a sale is just increases the risk that there's like</p> <p>19 another large market correction where they're worth less</p> <p>20 and less. I mean, it's very does not seem to me to be in</p> <p>21 any way good for the estate to hold on to these things if</p> <p>22 it is true that there are people paying this 35- to</p> <p>23 \$40,000 per terahash. I mean, there's no world in which</p> <p>24 a terahash will deliver that much return, net of</p> <p>25 expenses.</p>

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<p>1 So to my mind, like this is an area your client</p> <p>2 and all the creditors should be aligned on, which is like</p> <p>3 if this is truly the spot market price, you should sell</p> <p>4 these things as fast as you can because like the market</p> <p>5 may change, and it has changed quite a lot in the last</p> <p>6 week or two, in fact. You know, I don't see any reason</p> <p>7 why it won't continue to drop, I mean.</p> <p>8 BY MR. REYHANI:</p> <p>9 <b>Q. So what was the spot market price when you</b></p> <p>10 <b>completed the bankruptcy schedules filed on November 1st</b></p> <p>11 <b>or November 15th, when you were discussing the assets of</b></p> <p>12 <b>Alydian? You quantified the assets at around</b></p> <p>13 <b>1.6 million, when apparently it was either 6.2 million or</b></p> <p>14 <b>11 million or a heck of a lot more. What would have been</b></p> <p>15 <b>the spot market price on that day?</b></p> <p>16 A. I don't know. I'm not sure.</p> <p>17 <b>Q. You testified earlier that your data rigs, that</b></p> <p>18 <b>your mining rigs are kept at a data center, right?</b></p> <p>19 A. Yes.</p> <p>20 <b>Q. What sort of security measures are in place to</b></p> <p>21 <b>ensure that any data center employees or other outsiders</b></p> <p>22 <b>don't hijack the rigs for their own personal use?</b></p> <p>23 A. What do you mean by "hijack"?</p> <p>24 <b>Q. These are the debtors rigs, right?</b></p> <p>25 A. Yes.</p>	<p>1 <b>require private keys or passwords or other safeguards to</b></p> <p>2 <b>ensure that only Alydian employees or Alydian personnel</b></p> <p>3 <b>are the only ones who are accessing the rigs?</b></p> <p>4 A. That's correct.</p> <p>5 <b>Q. What security measures on the software side do</b></p> <p>6 <b>you have in place?</b></p> <p>7 A. There is monitoring software so you know</p> <p>8 instantly if one is turned off or gone bad or stopped</p> <p>9 producing. And then they have fairly standard like UNIX</p> <p>10 system security. So public private key system in place</p> <p>11 for logging in. Like as an example, even I can't log</p> <p>12 into them. So they're quite tightly controlled access to</p> <p>13 them.</p> <p>14 <b>Q. Who has access to those private keys, if you</b></p> <p>15 <b>can't log into them?</b></p> <p>16 A. Bobby Seidensticker and Robert Batten.</p> <p>17 <b>Q. So what do you have in place to prevent them</b></p> <p>18 <b>from diverting mined bitcoins to any other address other</b></p> <p>19 <b>than an Alydian address?</b></p> <p>20 A. Are you asking are my employees stealing mined</p> <p>21 coins, employees and contractors? Well, fundamentally</p> <p>22 you have to trust your engineers at some level there's --</p> <p>23 or probably you know the Latin, Bryan, but I don't. Who</p> <p>24 will guard the guardians, right? So what you can do,</p> <p>25 though, is do a statistical analysis of your mining speed</p>
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<p>1 <b>Q. And they're being housed in a data center with</b></p> <p>2 <b>lots of other mining rigs and lots of other equipment</b></p> <p>3 <b>from other companies and God only knows what is at these</b></p> <p>4 <b>data centers, correct?</b></p> <p>5 <b>MS. GLYNN LEVIN: If you know.</b></p> <p>6 <b>THE WITNESS: They vary. They're in multiple</b></p> <p>7 <b>locations and each location is a bit different.</b></p> <p>8 BY MR. REYHANI:</p> <p>9 <b>Q. So how are you preventing anyone else from</b></p> <p>10 <b>accessing the mining rigs and/or output of such mining</b></p> <p>11 <b>rigs such that the bitcoins don't just go to Alydian?</b></p> <p>12 A. Do you mean physically preventing?</p> <p>13 <b>Q. Sure, we can do physically to start.</b></p> <p>14 A. Well, each of the data centers has their own</p> <p>15 security procedure. We're getting a call.</p> <p>16 <b>Q. Do you have -- do the rigs require a private</b></p> <p>17 <b>keys or passwords or other software?</b></p> <p>18 <b>MR. TOWNSEND: Wait one second. Bryan, wait one</b></p> <p>19 <b>second. We're having a technical issue. Maybe you could</b></p> <p>20 <b>start over. It came up as a call. So we got a little</b></p> <p>21 <b>interrupted there. I think we're okay now, though.</b></p> <p>22 <b>MR. REYHANI: No problem.</b></p> <p>23 <b>THE WITNESS: Go ahead.</b></p> <p>24 BY MR. REYHANI:</p> <p>25 <b>Q. Do rigs -- on the software side, do the rigs</b></p>	<p>1 versus how many coins you have generated and assess if</p> <p>2 coins have sort of probabilistically gone missing.</p> <p>3 <b>Q. Have you conducted such an analysis?</b></p> <p>4 A. No.</p> <p>5 <b>MS. GLYNN LEVIN: Is this a good time to take a</b></p> <p>6 <b>break, Bryan, or do you -- is this a good time to take a</b></p> <p>7 <b>break or to you want to finish your question lineup?</b></p> <p>8 <b>MR. REYHANI: You know what? Let me finish</b></p> <p>9 <b>this question let me get one more document in and I just</b></p> <p>10 <b>have a couple of questions there and that's actually a</b></p> <p>11 <b>perfect time to stop.</b></p> <p>12 <b>MR. TOWNSEND: And I think I sort of stepped by</b></p> <p>13 <b>feet into a question before and I don't -- you were</b></p> <p>14 <b>asking about security on rigs, physical security, and I</b></p> <p>15 <b>don't know that that got finished, and then you all went</b></p> <p>16 <b>to software security, and I don't know if you want to</b></p> <p>17 <b>know that but I think I interrupted that question with a</b></p> <p>18 <b>phone call and whatnot. So I don't know if you want to</b></p> <p>19 <b>continue to know that, but my sense was that question</b></p> <p>20 <b>didn't get answered completely and I don't know if you</b></p> <p>21 <b>want to continue that. Maybe the witness did answer.</b></p> <p>22 <b>THE WITNESS: I don't have a lot more to say</b></p> <p>23 <b>about the data security, but I'm happy to try if you</b></p> <p>24 <b>want.</b></p> <p>25 <b>MR. REYHANI: I believe he addressed that</b></p>

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<p>1 question. I was fine with that?</p> <p>2 MR. TOWNSEND: Okay.</p> <p>3 MR. REYHANI: That's okay. Thank you.</p> <p>4 BY MR. REYHANI:</p> <p>5 <b>Q. Regarding Hans and -- Hans Olson and Mr.</b></p> <p>6 <b>Seidensticker and Mr. Batten, you indicated they wanted a</b></p> <p>7 <b>retention bonuses to stay on. How much were they</b></p> <p>8 <b>requesting?</b></p> <p>9 A. I think the total amount in addition to the</p> <p>10 November was about \$250,000.</p> <p>11 <b>Q. How much do each of them make per year?</b></p> <p>12 A. I told you Hans's numbers. I don't have -- you</p> <p>13 know, I don't remember off the top of my head. I don't</p> <p>14 want to give you wrong numbers. Both of them are under</p> <p>15 200, though.</p> <p>16 <b>Q. So essentially they all wanted a 50 percent</b></p> <p>17 <b>retention signing bonus to stay on?</b></p> <p>18 A. Again, I can't do the math for you right now,</p> <p>19 but.</p> <p>20 <b>Q. Let's do one more document and then we will</b></p> <p>21 <b>break for lunch. If Tereza could distribute what we are</b></p> <p>22 <b>going to mark as Exhibit 4. It is the -- actually,</b></p> <p>23 <b>before we do that, if we can go back to Peter's</b></p> <p>24 <b>declaration, Exhibit 2.</b></p> <p>25 <b>You previously discussed in your declarations</b></p>	<p>1 <b>month, correct?</b></p> <p>2 A. No, that's not correct. It depends on how much</p> <p>3 was spent on Alydian's behalf.</p> <p>4 <b>Q. Okay. Per invoice there was a \$5,000 maximum</b></p> <p>5 <b>administrative fee that was being charged to Alydian,</b></p> <p>6 <b>correct?</b></p> <p>7 A. Correct.</p> <p>8 <b>Q. And if you broke that 10 percent threshold or</b></p> <p>9 <b>\$5,000, if there was four invoices a month, Alydian would</b></p> <p>10 <b>have been charged \$20,000 a month in admin fees as</b></p> <p>11 <b>opposed to \$5,000 a month, correct?</b></p> <p>12 A. If one if Alydian incurred \$200,000 of expenses</p> <p>13 and it was billed in four invoices, then it would have</p> <p>14 been \$20,000 in fees, but if it had been billed in one</p> <p>15 invoice, it would have been \$5,000 in fees.</p> <p>16 <b>Q. Okay. On top of the administrative fees</b></p> <p>17 <b>CoinLab was also charging a management fee to Alydian;</b></p> <p>18 <b>isn't that true?</b></p> <p>19 A. Yes, that's correct.</p> <p>20 <b>Q. And that management fee ranged from 15,000 to</b></p> <p>21 <b>\$25,000?</b></p> <p>22 A. I don't recall off the top of my head.</p> <p>23 <b>Q. How often was that management fee charged? Per</b></p> <p>24 <b>invoice, weekly, monthly, bimonthly?</b></p> <p>25 A. No that fee was an assessment on what percent</p>
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<p>1 <b>that Alydian is an incubated company and that CoinLab is</b></p> <p>2 <b>the incubator, correct?</b></p> <p>3 A. Yes, that's correct.</p> <p>4 <b>Q. Okay. And that Alydian was being charged a</b></p> <p>5 <b>10 percent administrative fee on top of whatever was</b></p> <p>6 <b>being invoiced to Alydian to a maximum of \$5,000 per</b></p> <p>7 <b>invoice, correct?</b></p> <p>8 A. Yes, that's correct.</p> <p>9 <b>Q. So and Alydian was -- CoinLab was actually</b></p> <p>10 <b>invoicing Alydian about weekly, right, correct?</b></p> <p>11 A. No, that's incorrect.</p> <p>12 <b>Q. That's incorrect? How often was Alydian being</b></p> <p>13 <b>invoiced by CoinLab?</b></p> <p>14 A. It varied, but it was never more often than</p> <p>15 weekly that I'm aware of. It was probably more, I think</p> <p>16 once or twice a month.</p> <p>17 <b>Q. So let's say if it was twice a month. So if</b></p> <p>18 <b>there were two invoices that means Alydian would be</b></p> <p>19 <b>paying a \$10,000 fee to CoinLab for the invoices that</b></p> <p>20 <b>month instead of a \$5,000 fee isn't that correct?</b></p> <p>21 A. That's a maximum amount.</p> <p>22 <b>Q. And if Alydian was being invoiced four times a</b></p> <p>23 <b>month weekly instead of just once a month, as was</b></p> <p>24 <b>possible, that means Alydian was paying a \$20,000</b></p> <p>25 <b>administrative fee to CoinLab instead of just \$5,000 a</b></p>	<p>1 of my and other senior management time the Alydian</p> <p>2 project took up. So it was billed as a percentage of</p> <p>3 senior management time.</p> <p>4 <b>Q. Okay. So if Alydian was getting charged four</b></p> <p>5 <b>invoices with \$200,000 spent plus the management fee,</b></p> <p>6 <b>Alydian could have been paying and we can go through the</b></p> <p>7 <b>invoices when we continue this, could have been paying</b></p> <p>8 <b>instead of \$5,000 per month they were paying \$40,000 per</b></p> <p>9 <b>month to CoinLab, correct?</b></p> <p>10 A. I'm sorry. I'm kind of lost in the math again.</p> <p>11 You got all the invoices.</p> <p>12 <b>Q. If there was a?</b></p> <p>13 A. Could we talk about a specific invoice?</p> <p>14 <b>Q. We got the invoices at 10 o'clock last night,</b></p> <p>15 <b>so I think that will have to pick under the invoices in</b></p> <p>16 <b>the future, but if there were four invoices in a month</b></p> <p>17 <b>that equates to \$20,000 in administrative fees and</b></p> <p>18 <b>there's an invoice in that month that has a \$25,000</b></p> <p>19 <b>management fee, that means Alydian was paying not \$5,000</b></p> <p>20 <b>to CoinLab per month but \$45,000 to CoinLab per month,</b></p> <p>21 <b>correct?</b></p> <p>22 A. Well, that's all hypothetical. I mean, what if</p> <p>23 we could imagine daily invoices and choose any number you</p> <p>24 wanted in a hypothetical? But I -- so. We.</p> <p>25 <b>Q. We could but you as the managing director of</b></p>

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<p>1 <b>Alydian have a fiduciary duty to the company, correct?</b></p> <p>2 A. That's -- well, at this point to, I think the</p> <p>3 estate, that's correct.</p> <p>4 <b>Q. If we could go back to Exhibit 4 that Tereza</b></p> <p>5 <b>was distributing I only have a couple questions here and</b></p> <p>6 <b>then we can break for lunch?</b></p> <p>7 A. I'm sorry, Bryan are we done with 2 and 3? Can</p> <p>8 I pass them to the court reporter?</p> <p>9 <b>Q. Yes for the time being we're done with 2 and 3</b></p> <p>10 <b>thank you.</b></p> <p>11 <b>(Exhibit No. 4 marked.)</b></p> <p>12 BY MR. REYHANI:</p> <p>13 <b>Q. Exhibit 4 is the motion for order approving</b></p> <p>14 <b>notice of sale, bidding procedures order, and setting</b></p> <p>15 <b>hearing on sales of assets and granting other relief (Chk</b></p> <p>16 <b>doc).</b></p> <p>17 <b>If you could take a moment to review the</b></p> <p>18 <b>document, Mr. Vessenes.</b></p> <p>19 <b>MS. GLYNN LEVIN: My copy does not have the</b></p> <p>20 <b>Exhibit A attached, which is the proposed order.</b></p> <p>21 MR. REYHANI: Neither does my copy. We could</p> <p>22 either add it on, but it's not completely relevant for my</p> <p>23 questioning right now. So I'm fine either way.</p> <p>24 MS. GLYNN LEVIN: Okay.</p> <p>25 THE WITNESS: I haven't read this in some time,</p>	<p>1 <b>Q. So the pool of purchasers of these rigs would</b></p> <p>2 <b>be someone who has the expertise to operate these rigs in</b></p> <p>3 <b>a data center, correct?</b></p> <p>4 A. No, not necessarily. It could be someone who</p> <p>5 has got a technical staff or technical contractors that</p> <p>6 are willing to run them.</p> <p>7 <b>Q. Right, they would have the expertise to run it</b></p> <p>8 <b>in a data center, correct?</b></p> <p>9 A. I'm just saying the financial buyer may have no</p> <p>10 such expertise.</p> <p>11 <b>Q. Right, but they would have the technical</b></p> <p>12 <b>individuals below them that would be age to run it in a</b></p> <p>13 <b>data center?</b></p> <p>14 A. I would presume so. But I don't know. I'm not</p> <p>15 sure.</p> <p>16 <b>Q. Have there been any bidders so far? We don't</b></p> <p>17 <b>even have an order allowing this to receive bids. I mean</b></p> <p>18 <b>you can ask if we have had inquiries?</b></p> <p>19 MR. REYHANI: You.</p> <p>20 BY MR. REYHANI:</p> <p>21 <b>Q. You can answer yes or no. Have you had any</b></p> <p>22 <b>bidders?</b></p> <p>23 A. There are no bids.</p> <p>24 <b>Q. Have you had any inquiries?</b></p> <p>25 A. Yes.</p>
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<p>1 Bryan. It's going to take me ten or twelve minutes to</p> <p>2 get through it, unless you would like me to skip that and</p> <p>3 not rep to the whole document, if you've got a specific</p> <p>4 question.</p> <p>5 BY MR. REYHANI:</p> <p>6 <b>Q. Yes, I have some specific questions and if</b></p> <p>7 <b>there's anything you are uncomfortable asking without</b></p> <p>8 <b>full review of the document, I'm more than happy to pick</b></p> <p>9 <b>it up after lunch. Okay?</b></p> <p>10 A. All right, go for it.</p> <p>11 <b>Q. So to be clear -- and you testified earlier</b></p> <p>12 <b>about Alydian selling the rigs on an as is, where is</b></p> <p>13 <b>basis, correct?</b></p> <p>14 A. I believe that's correct, yes.</p> <p>15 <b>Q. Alydian's mining rigs are meant to be used in a</b></p> <p>16 <b>data center, correct?</b></p> <p>17 A. Well, perhaps. They're meant to use anywhere</p> <p>18 with proper cooling.</p> <p>19 <b>Q. You are not going to take a mining rig and</b></p> <p>20 <b>probably bring it to your house, correct?</b></p> <p>21 A. I'm not, that's correct.</p> <p>22 <b>Q. For safety purposes, the data center where</b></p> <p>23 <b>there's proper power and cooling is likely the best bet,</b></p> <p>24 <b>agree?</b></p> <p>25 A. I would agree with that.</p>	<p>1 <b>Q. By whom?</b></p> <p>2 A. The only person I have spoken to directly is</p> <p>3 Joel Yarmon. The others have contacted Keller Rorback.</p> <p>4 Well, there's one other. I don't remember his name, the</p> <p>5 guy are from Idaho. Someone from Idaho.</p> <p>6 <b>Q. I think you testified earlier and if I'm wrong,</b></p> <p>7 <b>Mr. Vessenes correct me, did you speak with Mr. Draper</b></p> <p>8 <b>about this?</b></p> <p>9 A. No. Joel Yarmon. And I just said Joel Yarmon.</p> <p>10 I reiterated that.</p> <p>11 <b>Q. Okay. And somebody in Idaho?</b></p> <p>12 A. That's correct.</p> <p>13 <b>Q. Anyone television about which you are aware?</b></p> <p>14 A. There are more. I've heard there are more, but</p> <p>15 I have not. I have no direct knowledge of them.</p> <p>16 <b>Q. Has any entity or individual in connection with</b></p> <p>17 <b>the purchase of the mining potential purchase of the</b></p> <p>18 <b>mining rigs conducted any due diligence?</b></p> <p>19 A. No.</p> <p>20 <b>Q. Has the debtor -- what marketing efforts</b></p> <p>21 <b>regarding the potential sale has the debtor performed?</b></p> <p>22 A. I don't believe we're allowed to do marketing</p> <p>23 until we have got a court order approving it, but we are</p> <p>24 ready to do some marketing.</p> <p>25 <b>Q. You are ready to do some marketing?</b></p>

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<p>1 A. Yes, once the court approves.</p> <p>2 <b>Q. Is that what you said?</b></p> <p>3 A. That's correct.</p> <p>4 <b>Q. What kind of -- what is the scope of the</b></p> <p>5 <b>marketing you intend to under that you intend to do?</b></p> <p>6 A. We would do a large scale PR push in interested</p> <p>7 financial journals. Anyone who has written about this</p> <p>8 bankruptcy or mining. We would reach out directly to the</p> <p>9 bitcoin industry press so there's some formal ones and</p> <p>10 some informal areas. We would there's probably --</p> <p>11 there's a list of mines, mining market providers you know</p> <p>12 possible and future, current we would contact them and</p> <p>13 encourage them to bid. Other possible there's probably a</p> <p>14 short list of bitcoiners who might be interested as well.</p> <p>15 So we would do some -- like we're not clear if -- I mean,</p> <p>16 something about the bitcoin mining space and I believe</p> <p>17 this is why the prices are so high, is people who are new</p> <p>18 to the space who are more investor types or financial</p> <p>19 types rather than bitcoin types are getting interested.</p> <p>20 So we want to make sure we hit those people up. And I</p> <p>21 think you get to them through -- you get to them through</p> <p>22 like the financial times and the journal and so on. Now,</p> <p>23 bitcoin insiders or technical types will be going to coin</p> <p>24 desk or reading bitcoin talk or read at bitcoin forums or</p> <p>25 other places so you will want to hit those as well to get</p>	<p>1 regarding your lawyer. Mr. Ray's view on attorney-client</p> <p>2 privilege is not something you should.</p> <p>3 THE WITNESS: I will make sure I won't relay it</p> <p>4 to my children in explaining the law to them.</p> <p>5 MR. REYHANI: I think now is a good time for a</p> <p>6 break, and we can go off the record.</p> <p>7 (A lunch break was taken</p> <p>8 from 12:29 p.m. to 1:19 p.m.)</p> <p>9 MR. REYHANI: We're back on the record. If</p> <p>10 Tereza could pass out what we're going to mark as</p> <p>11 Exhibit 5, which is the order granting the investment</p> <p>12 partners LLC's motion to compel.</p> <p>13 (Exhibit No. 5 marked.)</p> <p>14 E X A M I N A T I O N (Continued)</p> <p>15 BY MR. REYHANI:</p> <p>16 <b>Q. Let me know when you are done reviewing the</b></p> <p>17 <b>document.</b></p> <p>18 A. I'm sorry, do you have Exhibit A?</p> <p>19 <b>Q. It's attached. It should be.</b></p> <p>20 A. Every paragraph refers to Exhibit A.</p> <p>21 MS. GLYNN LEVIN: Do you not have it.</p> <p>22 THE WITNESS: I don't know if I do or not.</p> <p>23 MR. REYHANI: It should be page 6.</p> <p>24 THE WITNESS: Yes I do hold on.</p> <p>25 MS. SIMONYAN: It's there, but it's also on</p>
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<p>1 both parties there.</p> <p>2 <b>Q. But no marketing to date, right?</b></p> <p>3 A. Correct.</p> <p>4 <b>Q. Out of curiosity, why would anyone contact your</b></p> <p>5 <b>attorney when a notice hasn't gone out yet?</b></p> <p>6 A. There were news stories written about us in the</p> <p>7 Wall Street Journal mentioning it and people are</p> <p>8 interested, apparently, in buying mining rigs. So they</p> <p>9 got in touch because of that.</p> <p>10 <b>Q. Do you know how many people reached out to</b></p> <p>11 <b>Ms. Glynn Levin?</b></p> <p>12 A. No, I don't.</p> <p>13 <b>Q. She didn't tell you that there's like dozens of</b></p> <p>14 <b>people knocking down your door to buy these rigs or two</b></p> <p>15 <b>people?</b></p> <p>16 A. You are just asking about a privileged</p> <p>17 conversation. No.</p> <p>18 <b>Q. No, there's nothing privileged about it.</b></p> <p>19 <b>That's not a legal communication. She was relaying to</b></p> <p>20 <b>you how many people made a narrow regarding the assets of</b></p> <p>21 <b>the estate. That's interesting. We are entitled to</b></p> <p>22 <b>know. How many people reached out to Ms. Glynn Levin to</b></p> <p>23 <b>say they are interested in purchasing the mining rigs?</b></p> <p>24 A. I don't know.</p> <p>25 MR. TOWNSEND: Don't absence communications with</p>	<p>1 Exhibit 1, if your copy does not have it.</p> <p>2 MS. GLYNN LEVIN: Just use the one that is</p> <p>3 there it. I think you've got it.</p> <p>4 THE WITNESS: What do you want Bryan? You want</p> <p>5 me to read this whole thing or what.</p> <p>6 BY MR. REYHANI:</p> <p>7 <b>Q. You don't have to read the whole thing, but if</b></p> <p>8 <b>I need something specific from you, I will allow you the</b></p> <p>9 <b>time to review it.</b></p> <p>10 <b>Have you seen this document before?</b></p> <p>11 A. I have seen the order and the exhibit</p> <p>12 separately before, yes.</p> <p>13 <b>Q. Okay. And do you recall the first time you saw</b></p> <p>14 <b>the document?</b></p> <p>15 A. No.</p> <p>16 <b>Q. Did you discuss this order with anyone</b></p> <p>17 <b>previously?</b></p> <p>18 A. Yes. Actually, I need to amend. I have never</p> <p>19 seen the confidentiality agreement that's Exhibit 1.</p> <p>20 <b>Q. Okay. Have you seen -- you have seen the order</b></p> <p>21 <b>and the attachment, Exhibit A?</b></p> <p>22 A. Yes.</p> <p>23 <b>Q. And you have discussed that with individuals</b></p> <p>24 <b>prior to your testimony today?</b></p> <p>25 A. Yes.</p>

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<p>1 <b>Q. With whom have you spoken about it?</b></p> <p>2 A. Deirdre Glynn Levin. You have actually already</p> <p>3 asked this the same list. Because we went over this.</p> <p>4 Kelly Gates. I don't remember anyone else.</p> <p>5 <b>Q. Did you understand what was being --</b></p> <p>6 A. Go ahead.</p> <p>7 <b>Q. Okay. Did you understand what was being</b></p> <p>8 <b>required of you to produce?</b></p> <p>9 A. I believe so, by and large.</p> <p>10 <b>Q. And you understood what you were supposed to</b></p> <p>11 <b>produce with regard to No. 1 in Exhibit A, a list of all</b></p> <p>12 <b>addresses that debtor utilizes and has previously</b></p> <p>13 <b>utilized to mine, receive, transfer, store, hold and</b></p> <p>14 <b>otherwise control bitcoins and copies of any and all</b></p> <p>15 <b>records and documents relating to these addresses; you</b></p> <p>16 <b>understood that?</b></p> <p>17 A. I believe so.</p> <p>18 <b>Q. Did you produce this information?</b></p> <p>19 A. Yes.</p> <p>20 MR. REYHANI: I'm going to ask Tereza to hand</p> <p>21 out what we're going to mark as Exhibit 6. It is a 27</p> <p>22 page document with a black watermark on it that contains</p> <p>23 a series of columns and data. It's Bates stamped CLI</p> <p>24 Chapter 11-00001 through CLI Chapter 11-00027.</p> <p>25 (Exhibit No. 6 marked.)</p>	<p>1 <b>this document?</b></p> <p>2 A. I don't believe so, but I'm not sure.</p> <p>3 <b>Q. Did your attorney put the watermark on this</b></p> <p>4 <b>document?</b></p> <p>5 A. I don't know.</p> <p>6 <b>Q. So you don't know how this watermark --</b></p> <p>7 A. My God, Bryan how many times do you need to ask</p> <p>8 it?</p> <p>9 <b>Q. I'm just you know -- do you think that this 27</b></p> <p>10 <b>page document -- was this in response to No. 1 for a list</b></p> <p>11 <b>of all address he is that the debtor utilizes?</b></p> <p>12 A. I don't see any addresses on here, although it</p> <p>13 appears to be a list by address of transactions, and</p> <p>14 certainly the transaction ID specified there would allow</p> <p>15 you to find an address if you so chose.</p> <p>16 <b>Q. So whoever received this needed to go on to a</b></p> <p>17 <b>fishing expedition to figure out what the addresses are?</b></p> <p>18 A. I'm sorry, can you define fishing expedition?</p> <p>19 <b>Q. Are the addresses that the debtor utilized to</b></p> <p>20 <b>previously mine, receive, transfer, store hold or</b></p> <p>21 <b>otherwise control bitcoins are those addresses listed on</b></p> <p>22 <b>this 27 page document?</b></p> <p>23 A. I don't see them, although I do see short forms</p> <p>24 of them on the title.</p> <p>25 <b>Q. Are the full addresses anywhere on this</b></p>
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<p>1 THE WITNESS: I'm swimming in paper here. Will</p> <p>2 you need to refer to Exhibit 5 in the future Bryan or can</p> <p>3 I set it aside.</p> <p>4 MR. REYHANI: You can set it aside for the time</p> <p>5 being.</p> <p>6 BY MR. REYHANI:</p> <p>7 <b>Q. Have you seen this document before?</b></p> <p>8 A. I don't recall seeing it. No, maybe I do.</p> <p>9 It's -- perhaps I do. I'm not sure. It's lengthy what</p> <p>10 was the -- was this a paper form when you got this</p> <p>11 originally, obviously? Yeah I'm not sure if I have seen</p> <p>12 this exact document before or not.</p> <p>13 <b>Q. Could you put the -- did you put the watermark</b></p> <p>14 <b>on this document?</b></p> <p>15 A. No. I did not print any documents myself at</p> <p>16 all.</p> <p>17 <b>Q. Did you put the watermark on the document?</b></p> <p>18 A. I just said no.</p> <p>19 <b>Q. Who put the watermark on the document?</b></p> <p>20 A. I don't know.</p> <p>21 <b>Q. You don't know who put the watermark on the</b></p> <p>22 <b>document?</b></p> <p>23 MS. GLYNN LEVIN: Asked and answered.</p> <p>24 BY MR. REYHANI:</p> <p>25 <b>Q. Did anyone at the debtor put the watermark on</b></p>	<p>1 <b>document?</b></p> <p>2 A. No, not that I see.</p> <p>3 <b>Q. Who prepared this document?</b></p> <p>4 A. I believe this is -- this is a standard</p> <p>5 financial report that goes to the trustee, detailing all</p> <p>6 transactions for Alydian, I think. So this is just part</p> <p>7 of our internal audit that the trustee sees so they know</p> <p>8 we're taking good care of the bitcoins, and that's why</p> <p>9 you see them titled by the short form of the address on</p> <p>10 the top.</p> <p>11 <b>Q. Isn't this information off of block chain dot</b></p> <p>12 <b>info, Mr. Vessenes?</b></p> <p>13 A. I don't believe it is. I believe this is an</p> <p>14 internal Alydian report. At least I've never seen a</p> <p>15 block chain page that looks like this.</p> <p>16 <b>Q. You testified earlier that Alydian used, uses</b></p> <p>17 <b>or utilizes six addresses in total?</b></p> <p>18 A. I believe so.</p> <p>19 <b>Q. Those six addresses on these 27 pages?</b></p> <p>20 A. I just totalled you there are no full addresses</p> <p>21 on these pages. Are you complaining about getting a full</p> <p>22 transaction log? I don't understand.</p> <p>23 <b>Q. In this was an internal document, what software</b></p> <p>24 <b>produces this document?</b></p> <p>25 A. Excel.</p>

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<p>1 <b>Q. Excel?</b></p> <p>2 A. Yes.</p> <p>3 <b>Q. Where is the data dump for this document?</b></p> <p>4 A. I don't understand.</p> <p>5 <b>Q. From?</b></p> <p>6 A. I don't understand.</p> <p>7 <b>Q. Where are you getting the data to populate the</b></p> <p>8 <b>excel spreadsheet?</b></p> <p>9 A. I don't know. I don't prepare the spreadsheet</p> <p>10 myself.</p> <p>11 <b>Q. Who prepared this?</b></p> <p>12 A. Probably Kelly Gates but you sound so angry</p> <p>13 about it, Bryan. I still don't understand why.</p> <p>14 <b>Q. Well, you have been -- the debtor lab compelled</b></p> <p>15 <b>to produce a list of all addresses that the debtor</b></p> <p>16 <b>utilizes and has previously utilized to mine, receive,</b></p> <p>17 <b>transfer, store, hold and otherwise control bitcoins and</b></p> <p>18 <b>other documents, and the debtor represented that this</b></p> <p>19 <b>document was responsive to request No. 1?</b></p> <p>20 A. Well, I would call it like a helpful supplement</p> <p>21 to the list of addresses, in that we gave you a full</p> <p>22 list, which you have repeatedly asked for many times, and</p> <p>23 then this is a -- we pulled out all the actual</p> <p>24 transactions for you. I don't know. It doesn't seem</p> <p>25 like worth being angry over.</p>	<p>1 MS. SIMONYAN: Can you read the last digits of</p> <p>2 the third line from the bottom?</p> <p>3 THE WITNESS: It looks like 30E8154E2C8.</p> <p>4 BY MR. REYHANI:</p> <p>5 <b>Q. Can you repeat what you just said?</b></p> <p>6 A. Sure. 30E8 -- let's see -- 154E2C8.</p> <p>7 <b>Q. That's not -- I think you said 1.</b></p> <p>8 A. Is this a good use of deposition time? I just</p> <p>9 ask you. If you were to ask --</p> <p>10 <b>Q. Yes, it is.</b></p> <p>11 A. Okay, great, because if you ask Dan, even a</p> <p>12 very small number of these letters upfront could be</p> <p>13 turned into a transaction search on any open bitcoin</p> <p>14 website.</p> <p>15 MS. GLYNN LEVIN: And just I mean, for the</p> <p>16 record, the watermark looks darker on some pages than</p> <p>17 others, and if there are some, it was not intended to</p> <p>18 obscure the information underneath. If you can't read</p> <p>19 the information underneath, I can certainly ask my office</p> <p>20 to send you another copy, but yeah, the way they are</p> <p>21 photocopied, it does some of them are harder to read than</p> <p>22 others. I'm certainly happy to provide you a copy that</p> <p>23 is more legible. Would that help?</p> <p>24 MR. REYHANI: I don't understand the need for</p> <p>25 this ridiculous watermark in the first place, but that's</p>
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<p>1 <b>Q. Does this document contain the six bitcoin</b></p> <p>2 <b>addresses that the debtor utilized?</b></p> <p>3 A. It does not contain any full bitcoin addresses.</p> <p>4 <b>Q. Can you read what is under the watermark?</b></p> <p>5 A. Can you give me a specific spot? These are</p> <p>6 photocopies, too. So.</p> <p>7 <b>Q. How else are we supposed to pass out the</b></p> <p>8 <b>documents?</b></p> <p>9 A. I don't know, I'm not a lawyer, but go ahead,</p> <p>10 tell me what you want me to read.</p> <p>11 <b>Q. If you can read under --</b></p> <p>12 MS. SIMONYAN: Why don't you turn to Bates</p> <p>13 stamp 1100005.</p> <p>14 THE WITNESS: Okay.</p> <p>15 MS. SIMONYAN: Let's read, let's say, the last</p> <p>16 line.</p> <p>17 THE WITNESS: You would like me to read the</p> <p>18 last line?</p> <p>19 MS. SIMONYAN: Yes.</p> <p>20 THE WITNESS: All of it?</p> <p>21 MS. SIMONYAN: Actually, read the last ten</p> <p>22 digits on the last line.</p> <p>23 THE WITNESS: 72C2475844C5.</p> <p>24 MR. REYHANI: What page?</p> <p>25 THE WITNESS: 1100005, last line.</p>	<p>1 besides the point.</p> <p>2 BY MR. REYHANI:</p> <p>3 <b>Q. So this document that was provided to us in</b></p> <p>4 <b>response to No. 1 doesn't have all six, all six of the</b></p> <p>5 <b>addresses?</b></p> <p>6 A. There's a large list of addresses that includes</p> <p>7 all the addresses.</p> <p>8 MR. REYHANI: Okay. So let's look at the large</p> <p>9 list of addresses. I'm going to ask Tereza to please</p> <p>10 pass out what we're going to mark as Exhibit 7, and I</p> <p>11 don't know it's about a thousand plus pages of --</p> <p>12 THE WITNESS: I'm sorry. Just to stop you for</p> <p>13 a second, I believe that all six of the end use addresses</p> <p>14 are uniquely identified in this document right at the top</p> <p>15 header, and they're actually identified in the manner</p> <p>16 that you have requested be used, in a short form, and</p> <p>17 they're further identifiable because any of the</p> <p>18 transactions on any of these pages will let you confirm</p> <p>19 the address.</p> <p>20 So I would say that there are, you know, two or</p> <p>21 three separate ways you could use just this one document</p> <p>22 for the addresses. Do you see it right there at the top</p> <p>23 of page 1, 1EGHYG?</p> <p>24 And even in the creditor conference Dan said</p> <p>25 well, let's just use short forms the addresses. I think</p>

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<p>1 you agreed with the Court to use short forms of the</p> <p>2 addresses at a times. So they're right there on top.</p> <p>3 MS. SIMONYAN: The Court specifically ruled</p> <p>4 that you provide the full form of the addresses.</p> <p>5 THE WITNESS: We have done that as well. We</p> <p>6 have done that as well.</p> <p>7 MR. REYHANI: Where? Where is it in this</p> <p>8 document?</p> <p>9 THE WITNESS: It is in this thousand-page</p> <p>10 document.</p> <p>11 MR. REYHANI: Let's look at the thousand-page</p> <p>12 document.</p> <p>13 (Exhibit No. 7 marked.)</p> <p>14 BY MR. REYHANI:</p> <p>15 <b>Q. So now we're going to go look at what we're</b></p> <p>16 <b>going to mark as Exhibit 7.</b></p> <p>17 A. Can I put 5 back? That's all right. I will</p> <p>18 just hold on to it.</p> <p>19 MS. SIMONYAN: I just have one copy for you.</p> <p>20 MS. GLYNN LEVIN: We don't want another copy.</p> <p>21 MS. SIMONYAN: I didn't think so.</p> <p>22 BY MR. REYHANI:</p> <p>23 <b>Q. So this -- have you seen this document before?</b></p> <p>24 A. Excuse me.</p> <p>25 <b>Q. Are you okay?</b></p>	<p>1 <b>public domain, correct?</b></p> <p>2 A. Well, I'm not a lawyer, but I would say that</p> <p>3 while data is sent out, information about the data, that</p> <p>4 doesn't mean that information about the data is public.</p> <p>5 For instance owners, purposes, all those things.</p> <p>6 <b>Q. I can locate any transaction all transactions</b></p> <p>7 <b>regarding bitcoin are publicly available, correct?</b></p> <p>8 A. That's correct. That's correct. You can</p> <p>9 locate a transaction, but if you were to then determine</p> <p>10 the owner of one or the other end of the transaction, you</p> <p>11 would have information that certainly is not necessarily</p> <p>12 public.</p> <p>13 <b>Q. Who put the watermark on this document?</b></p> <p>14 A. I don't know.</p> <p>15 <b>Q. Was it you?</b></p> <p>16 A. I just answered your question. I will wait, if</p> <p>17 you have ones that I haven't answered.</p> <p>18 <b>Q. Did you put the watermark on this document?</b></p> <p>19 A. No.</p> <p>20 MS. GLYNN LEVIN: Asked and answered.</p> <p>21 BY MR. REYHANI:</p> <p>22 <b>Q. Did you put the watermark on this document?</b></p> <p>23 A. I've said no already.</p> <p>24 <b>Q. Did anyone at Alydian put the watermark on this</b></p> <p>25 <b>document?</b></p>
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<p>1 A. Oh, yeah, I'm fine. Thanks. Go ahead, you</p> <p>2 were saying?</p> <p>3 <b>Q. Have you seen this document before?</b></p> <p>4 A. I've seen pages of this document before.</p> <p>5 <b>Q. Which pages have you seen before?</b></p> <p>6 A. Oh, please. Of the thousand pages, I don't</p> <p>7 know.</p> <p>8 <b>Q. Who prepared this document?</b></p> <p>9 A. I prepared this document.</p> <p>10 <b>Q. How did you prepare this document?</b></p> <p>11 A. I took the list of Alydian public bitcoin</p> <p>12 addresses and I printed them to PDF.</p> <p>13 <b>Q. I would like to note for the record that</b></p> <p>14 <b>counsel is passing notes to the witness?</b></p> <p>15 <b>MS. GLYNN LEVIN: There's no note on it. It's</b></p> <p>16 <b>just a sticky in case you were going to tab a page.</b></p> <p>17 <b>There's nothing on it. See?</b></p> <p>18 THE WITNESS: I didn't even think to read it.</p> <p>19 BY MR. REYHANI:</p> <p>20 <b>Q. So all these addresses are publicly available,</b></p> <p>21 <b>right?</b></p> <p>22 A. No, they're not. Many of them have not been</p> <p>23 used and are in fact private. And even if they were the</p> <p>24 court ordered, they would all be kept, kept confidential.</p> <p>25 <b>Q. All transactions regarding bitcoin are in the</b></p>	<p>1 A. I don't believe so.</p> <p>2 <b>Q. Did your attorney put the watermark on this</b></p> <p>3 <b>document?</b></p> <p>4 A. I don't know.</p> <p>5 MS. GLYNN LEVIN: My offer stands as I said</p> <p>6 before as to paragraph -- as to your other exhibit, if</p> <p>7 the watermark obscures the information below, it is</p> <p>8 certainly not intended to do that. If it does that, then</p> <p>9 please let us know and we will make sure that that</p> <p>10 problem is corrected.</p> <p>11 MR. REYHANI: I appreciate it, but I think the</p> <p>12 obnoxious nature of the first watermark is just doubled</p> <p>13 and compounded by the ridiculous or watermark on the</p> <p>14 second set of documents.</p> <p>15 MS. GLYNN LEVIN: The same for the request on</p> <p>16 such short time.</p> <p>17 MS. SIMONYAN: It is a court order. It's not a</p> <p>18 request.</p> <p>19 BY MR. REYHANI:</p> <p>20 <b>Q. Mr. Vessenes, do you believe that this document</b></p> <p>21 <b>is responsive to request No. 1?</b></p> <p>22 A. Yes.</p> <p>23 <b>Q. So in those thousand pages, show me where the</b></p> <p>24 <b>six addresses are.</b></p> <p>25 A. Okay. Pull out your first document you showed</p>

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<p>1 me, Exhibit 6. Do you have it, Mr. Reyhani in your hand?</p> <p>2 <b>Q. I have it in my hand.</b></p> <p>3 A. Can you read to me the letters on the top of</p> <p>4 it?</p> <p>5 <b>Q. Show me where the six addresses are on this</b></p> <p>6 <b>document?</b></p> <p>7 A. Mr. Reyhani, I am answering your question. Can</p> <p>8 you tell me the letters on the top? I just want to make</p> <p>9 sure we have both got them. I would like to teach you to</p> <p>10 do is so you can look later if you.</p> <p>11 MR. REYHANI: Counsel, direct your client to</p> <p>12 answer the question. Show me where the six addresses</p> <p>13 are.</p> <p>14 THE WITNESS: You want me to show you where the</p> <p>15 six addresses are? Give me some time.</p> <p>16 MR. REYHANI: I'm noting on the record it's</p> <p>17 4:53 PM now in New York, and the witness is now going</p> <p>18 through a thousand pages of paper.</p> <p>19 MS. GLYNN LEVIN: The witness is doing what you</p> <p>20 asked hi to do, isn't he?</p> <p>21 THE WITNESS: I already told you I think this</p> <p>22 is a waste of time and we pulled out every transaction in</p> <p>23 a separate report for you. If you want to spend the</p> <p>24 deposition this way, that's absolutely your choice. I</p> <p>25 don't want to get them out of the order.</p>	<p>1 MS. SIMONYAN: Bryan has withdrawn the</p> <p>2 question.</p> <p>3 MS. GLYNN LEVIN: Is the question withdrawn?</p> <p>4 MR. REYHANI: Well, now we're three minutes in</p> <p>5 and I want to look for a single address. We will keep</p> <p>6 noting. We will just keep noting it Ford. He's looking</p> <p>7 for six addresses in a span of a thousand plus pages. He</p> <p>8 could be looking for hours, the point is we asked, let's</p> <p>9 re-read request No. 1 a list of all address he is</p> <p>10 utilized by the debtor.</p> <p>11 THE WITNESS: And this is that list. This is</p> <p>12 the list that for any reason utilized. This is on your</p> <p>13 guys' head. We tried to tell you there were a lot of</p> <p>14 addresses and you insisted on having them all. Would you</p> <p>15 prefer the short list?</p> <p>16 MR. REYHANI: Sure.</p> <p>17 THE WITNESS: Okay.</p> <p>18 MR. REYHANI: I'll tell you what. Why doesn't</p> <p>19 Tereza circulate the document we're going to mark as</p> <p>20 Exhibit 8?</p> <p>21 THE WITNESS: Are you done with 5, 6 and 7?</p> <p>22 MR. REYHANI: For the time being, unless you're</p> <p>23 still looking for an address.</p> <p>24 THE WITNESS: Like I said --</p> <p>25 MS. GLYNN LEVIN: The question is not --</p>
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<p>1 MS. GLYNN LEVIN: They're Bates stamped at the</p> <p>2 bottom.</p> <p>3 THE WITNESS: That would be a really fun job.</p> <p>4 Let's make sure Tereza doesn't have to do that. Oh, hold</p> <p>5 on. I think I got did I get them out of order? No, I</p> <p>6 didn't. All right.</p> <p>7 BY MR. REYHANI:</p> <p>8 <b>Q. Mr. Vessenes I'm going to save you the trouble.</b></p> <p>9 <b>We're two minutes in now and you haven't been able to</b></p> <p>10 <b>locate a single utilized address used by the debtor in</b></p> <p>11 <b>this thousand pages of data. A list, could you not have</b></p> <p>12 <b>just typed the six addresses into a single email and</b></p> <p>13 <b>provided it to us?</b></p> <p>14 A. We offered that and you insisted to the Court</p> <p>15 that you get the whole list three times. I offered that</p> <p>16 in the declaration.</p> <p>17 <b>Q. I don't know what you are talking about?</b></p> <p>18 A. I offered that in the creditor interview and we</p> <p>19 offered that and Tereza said no we need all one hundred</p> <p>20 thousand if you claim they haven't been used. Weed</p> <p>21 offered that again in the conferences with the judge.</p> <p>22 You guys are the ones that asked for this list?</p> <p>23 MS. SIMONYAN: Could you turn to Exhibit No. 7?</p> <p>24 MS. GLYNN LEVIN: There's still a question on</p> <p>25 the table and he's still trying to answer that one.</p>	<p>1 MR. REYHANI: Are you still looking?</p> <p>2 MS. GLYNN LEVIN: Is the question still on the</p> <p>3 table or not? If it is, then he's asked to do it and it</p> <p>4 not, then he won't.</p> <p>5 MS. SIMONYAN: He doesn't have to do it. No,</p> <p>6 he doesn't have to keep searching.</p> <p>7 Exhibit 8, the email?</p> <p>8 MR. REYHANI: Yes, Exhibit 8. It's an email</p> <p>9 from me to your attorney, Ms. Glynn Levin, on Friday,</p> <p>10 January 3rd.</p> <p>11 (Exhibit No. 8 marked.)</p> <p>12 BY MR. REYHANI:</p> <p>13 <b>Q. I will read it into the record. It says</b></p> <p>14 <b>Deirdre, to be abundantly clear, we don't want addresses</b></p> <p>15 <b>that were generated and never utilized only addresses</b></p> <p>16 <b>that were in fact utilized to mining transaction s</b></p> <p>17 <b>transfer of storage, etc., thanks. Bryan.</b></p> <p>18 <b>Have you seen this document before?</b></p> <p>19 A. No.</p> <p>20 <b>Q. No? Your attorney didn't share this with you?</b></p> <p>21 A. No.</p> <p>22 <b>Q. Are we asking for hundreds of thousands of</b></p> <p>23 <b>addresses here, or are we asking for only ones that were</b></p> <p>24 <b>utilized?</b></p> <p>25 A. In that email, it's clear you would only like</p>

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<p>1 to see six.</p> <p>2 MS. GLYNN LEVIN: There's a court order, Bryan.</p> <p>3 So I don't know -- I have to abide by the court order.</p> <p>4 MS. SIMONYAN: Read the court order again.</p> <p>5 Read No. 1.</p> <p>6 MS. GLYNN LEVIN: I'm not under oath here. I'm</p> <p>7 just telling you we have to abide by the court order.</p> <p>8 MR. REYHANI: Right, and it said a list of</p> <p>9 utilized addresses.</p> <p>10 THE WITNESS: But you guys have gone on the</p> <p>11 record saying -- whatever.</p> <p>12 BY MR. REYHANI:</p> <p>13 <b>Q. So do we have the six full addresses that the</b></p> <p>14 <b>debtor has utilized to mine, store, transfer, utilize</b></p> <p>15 <b>bitcoins? Dove the six full addresses anywhere?</b></p> <p>16 A. I believe they're in that document, the</p> <p>17 thousand-page document. If you would like them quickly,</p> <p>18 the very fastest way to get them, Dan could just search</p> <p>19 on those short form addresses on the top of Exhibit 6 and</p> <p>20 he could have them in shorter than this conversation</p> <p>21 took. If you would like us to produce the full form of</p> <p>22 those, we could do that as well, I don't mind, in a</p> <p>23 separate document, either way.</p> <p>24 <b>Q. Okay. Even short form on the first document,</b></p> <p>25 <b>how many addresses are there?</b></p>	<p>1 not has not been provided to you? We certainly intend to</p> <p>2 provide it. If you don't think you have it, tell me and</p> <p>3 we will find another way of getting it to you, even if I</p> <p>4 have to have my, you know, assistant call and read the</p> <p>5 address out. Well, it's still -- it's got to be</p> <p>6 confidential. I could read it out, write it down on a</p> <p>7 piece of paper and then it be created as an exhibit.</p> <p>8 Would you like to do it that with an I? I don't want</p> <p>9 there to be any outstanding discovery requests after</p> <p>10 today. I want to make sure we have satisfied all the</p> <p>11 discovery requests. So please tell me if you don't think</p> <p>12 we have satisfied all of your discovery requests.</p> <p>13 MR. REYHANI: You certainly have not satisfied</p> <p>14 our discovery requests. You have had weeks to produce</p> <p>15 the most basic of information of six address.</p> <p>16 MS. GLYNN LEVIN: Which ones?</p> <p>17 MR. REYHANI: Excuse me. I'm not done. Excuse</p> <p>18 me.</p> <p>19 MS. GLYNN LEVIN: Okay.</p> <p>20 MR. REYHANI: Let me finish. I let you speak.</p> <p>21 You have had weeks now to produce actually you should</p> <p>22 have produced all this stuff since November 1st, six</p> <p>23 addresses where the debtor pulls, has done transactions,</p> <p>24 transfers accounts.</p> <p>25 We're now January 7th, and you are sitting here</p>
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<p>1 A. One, two, one -- well, the first three pages</p> <p>2 are for one address. The fourth page is for a second.</p> <p>3 One, two...</p> <p>4 A whole bunch of them are for the next one.</p> <p>5 That's the one that is mine to from BBC guild. (Chk doc)</p> <p>6 So there's a whole bunch of transactions there.</p> <p>7 Then there's another one after that that is one</p> <p>8 page, and you have a separate one at the end. That's two</p> <p>9 pages.</p> <p>10 <b>Q. How many is that?</b></p> <p>11 A. I don't know. I lost count. One, two, three,</p> <p>12 five, maybe. How many do you count? I count five.</p> <p>13 <b>Q. I count five. Do you count five?</b></p> <p>14 A. Yes. So, Bryan, would you like just the six</p> <p>15 separate? Is that what you are saying? Because you have</p> <p>16 made a couple production requests in the course of the</p> <p>17 deposition.</p> <p>18 <b>Q. I think our request is still outstanding.</b></p> <p>19 MR. REYHANI: I would like for Tereza, please,</p> <p>20 to pass around what we're going to introduce as Exhibit</p> <p>21 No. 9.</p> <p>22 THE WITNESS: Wait, I'm not sure I understand.</p> <p>23 You are saying we haven't fulfilled the order for No. 1?</p> <p>24 Is that what you are saying?</p> <p>25 MS. GLYNN LEVIN: You still think that one is</p>	<p>1 asking me whether you think that you have fulfilled your</p> <p>2 obligation to produce six addresses. You could literally</p> <p>3 type it into an email, yet we get Exhibit 6, which is 27</p> <p>4 pages of utter nonsense with a ridiculous and obnoxious</p> <p>5 watermark on top of it.</p> <p>6 THE WITNESS: I object. This is a full --</p> <p>7 MS. GLYNN LEVIN: Bryan, please don't lecture</p> <p>8 me. I don't need a lecture. Just if you don't have the</p> <p>9 six addresses if you can't find them in what we gave you,</p> <p>10 I will find another form to give you. I don't want there</p> <p>11 to be outstanding discovery requests. The Court doesn't</p> <p>12 have time for that. So I will if you want the six</p> <p>13 address he is.</p> <p>14 MR. REYHANI: Of course they don't.</p> <p>15 MS. GLYNN LEVIN: I will make sure you get</p> <p>16 those before end of business today, okay?</p> <p>17 MR. REYHANI: How long does it take to type an</p> <p>18 email?</p> <p>19 MS. GLYNN LEVIN: Right now I'm not in my</p> <p>20 office, but if you want those, I can make arrangements to</p> <p>21 get those to you like this afternoon.</p> <p>22 MR. REYHANI: You do what you feel is</p> <p>23 appropriate, but you are -- the debtor is in contempt of</p> <p>24 the cord court order.</p> <p>25 MR. TOWNSEND: Objection, please.</p>

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<p>1 MS. GLYNN LEVIN: I'm sorry, you are not the</p> <p>2 judge. If you want to make the order, you want to make</p> <p>3 the motion, fine, I'm offering it to get to you. I'm not</p> <p>4 saying we're not turning it over. What I'm saying is</p> <p>5 apparently you can't find it in what we've produced and</p> <p>6 if you can't find it, I want to make it easy. This is</p> <p>7 not meant to be confrontational. I will get you the six</p> <p>8 addresses. Can I have five minutes now to contact our</p> <p>9 offices to get that for you? Would you like that now?</p> <p>10 MR. REYHANI: You could do it later today.</p> <p>11 That's fine.</p> <p>12 MS. GLYNN LEVIN: Okay. The next break.</p> <p>13 MR. REYHANI: You feel.</p> <p>14 MS. GLYNN LEVIN: At the next break I'm</p> <p>15 offering to do so we need to make sure we have a break</p> <p>16 sufficiently long to get that.</p> <p>17 MS. SIMONYAN: We needed that information prior</p> <p>18 to the deposition, and that is the reason why the judge</p> <p>19 specifically said set a separate deadline for that</p> <p>20 production of 24 hours within entry of the order.</p> <p>21 MS. GLYNN LEVIN: Another lecture. So if you</p> <p>22 want it, I will make sure. Let's take a break right now.</p> <p>23 THE WITNESS: But -- and the lawyers you may</p> <p>24 not understand this, but we have actually gone ahead and</p> <p>25 done the audit against these addresses for you and</p>	<p>1 knowledge that these are our addresses and that's one of</p> <p>2 the things that the confidentiality is intended to</p> <p>3 protect.</p> <p>4 <b>Q. This is the same data, correct, generally?</b></p> <p>5 A. I haven't read it all, but it looks similar so</p> <p>6 I would say Bryan you have got the six. I'm just</p> <p>7 counting up here. So did you jut put us through that</p> <p>8 whole harangue when you already had all of our six</p> <p>9 addresses and then complain that we're wasting your time?</p> <p>10 Do I understand that?</p> <p>11 <b>Q. And you notice that the transaction history</b></p> <p>12 <b>have the full addresses at the top?</b></p> <p>13 A. Yes.</p> <p>14 <b>Q. So let's turn to what we're going to mark as</b></p> <p>15 <b>Exhibit 10, which is the summary of the bankruptcy</b></p> <p>16 <b>schedules.</b></p> <p>17 <b>MS. GLYNN LEVIN: Wait a second. Was this</b></p> <p>18 <b>marked Exhibit 9?</b></p> <p>19 MR. REYHANI: Yes.</p> <p>20 MS. GLYNN LEVIN: And that's 15 pages, 16 pages</p> <p>21 long?</p> <p>22 MR. REYHANI: It is 16 pages of transactions</p> <p>23 relating to addresses correct.</p> <p>24 THE WITNESS: I don't understand. You still</p> <p>25 want us to email this to you or not?</p>
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<p>1 delivered it to you.</p> <p>2 So Bryan calls this a useless thing. This is</p> <p>3 actually this is like every transaction for these Alydian</p> <p>4 addresses by date, date stamped, with a bitcoin</p> <p>5 transaction. I will just tee it up for you right here.</p> <p>6 MS. GLYNN LEVIN: Let's take a break now and we</p> <p>7 will get the remainder of the -- can we take a break</p> <p>8 right now, Bryan?</p> <p>9 MR. REYHANI: No. You can get it at the</p> <p>10 conclusion of the deposition. I would like for Tereza to</p> <p>11 circulate what we were able to pull off the Internet</p> <p>12 regarding what you have marked confidential. We're going</p> <p>13 to mark it as Exhibit 9.</p> <p>14 MS. SIMONYAN: Bryan, the schedules, correct,</p> <p>15 the bankruptcy schedules?</p> <p>16 MR. REYHANI: No, the block chain transactions.</p> <p>17 MS. SIMONYAN: Got it.</p> <p>18 MR. REYHANI: It was going to be later.</p> <p>19 (Exhibit No. 9 marked.)</p> <p>20 BY MR. REYHANI:</p> <p>21 <b>Q. So what we have marked as Exhibit 9 data that</b></p> <p>22 <b>we were able to pull ought the Internet off 6 of block</b></p> <p>23 <b>chain dot info regarding those few addresses that you</b></p> <p>24 <b>provided, which anybody in the public can download?</b></p> <p>25 A. While that is correct, it is not public</p>	<p>1 MR. REYHANI: Please turn to the bankruptcy</p> <p>2 schedule.</p> <p>3 THE WITNESS: Wait, wait, wait. You made a</p> <p>4 request. Do you still want us to email it to you.</p> <p>5 MR. REYHANI: Please turn to the next exhibit.</p> <p>6 It is the summary of schedules.</p> <p>7 (Exhibit No. 10 marked.)</p> <p>8 BY MR. REYHANI:</p> <p>9 <b>Q. Marked as Exhibit 10 is the summary of</b></p> <p>10 <b>schedules filed by the debtor in this proceeding. It is</b></p> <p>11 <b>31 pages long, and it is digitally signed by Mr. Vessenes</b></p> <p>12 <b>on page 31 and some other pages.</b></p> <p>13 <b>Have you seen this document before, Mr.</b></p> <p>14 <b>Vessenes?</b></p> <p>15 A. It's quite long. I recognize most of the</p> <p>16 pieces of it. I'm not sure I have seen it all in one</p> <p>17 place before.</p> <p>18 <b>Q. Turn to page 23. Is that your digital</b></p> <p>19 <b>signature on that page?</b></p> <p>20 A. Yes.</p> <p>21 <b>Q. And is that your digital signature also on</b></p> <p>22 <b>page 31, the last page?</b></p> <p>23 A. Yes.</p> <p>24 <b>Q. And you signed these under penalty of perjury</b></p> <p>25 <b>and under oath that all the information contained herein</b></p>

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<p>1 <b>is accurate?</b></p> <p>2 A. I said that they were correct to the best of my</p> <p>3 knowledge, information and belief at the time.</p> <p>4 <b>Q. Okay. And you have about 1.6 million in assets</b></p> <p>5 <b>listed on the first page, and that information is spelled</b></p> <p>6 <b>out in detail on pages 4 and 5 of the personal assets of</b></p> <p>7 <b>the debtor; is that correct?</b></p> <p>8 A.</p> <p>9 <b>MS. GLYNN LEVIN: Well, just to be fair to him,</b></p> <p>10 <b>the summary of schedules is generated by the software.</b></p> <p>11 <b>So it is drawn from the data that is -- that the rest of</b></p> <p>12 <b>the schedules are created from.</b></p> <p>13 BY MR. REYHANI:</p> <p>14 <b>Q. Okay. Who provided the information to go into</b></p> <p>15 <b>the schedules, Mr. Vessenes?</b></p> <p>16 A. Which schedule are you interested in?</p> <p>17 <b>Q. Any of the schedules. You attested to this</b></p> <p>18 <b>document. Who provided the information that contains the</b></p> <p>19 <b>information herein?</b></p> <p>20 A. I did for real property. For personal</p> <p>21 property -- I'm sorry, go ahead.</p> <p>22 <b>Q. Yes so I see that you have noted some laptops,</b></p> <p>23 <b>some routers, some chairs, a couple fans. You have also</b></p> <p>24 <b>noted some manufacturing parts that are on their way and</b></p> <p>25 <b>you have also noted some deployed mining rigs already to</b></p>	<p>1 I have no phone or way to check. I cannot tell you</p> <p>2 exactly how many we have right now.</p> <p>3 <b>Q. How many were there last night?</b></p> <p>4 A. I'm not sure. When did you print up your</p> <p>5 audit? We could read that.</p> <p>6 <b>Q. Pawing, how many bitcoins does the debtor</b></p> <p>7 <b>possess?</b></p> <p>8 A. I'm doing some math. Hold on. There is 1,900</p> <p>9 there. There is 175 there. So that's 2,075. Something</p> <p>10 like, I don't know, 3,500 right now, maybe something like</p> <p>11 that, roughly. I'm just going off the reports you gave</p> <p>12 me, though.</p> <p>13 MS. GLYNN LEVIN: Personal knowledge.</p> <p>14 THE WITNESS: Which I now have from reading the</p> <p>15 exhibit.</p> <p>16 MS. GLYNN LEVIN: But you don't know how that</p> <p>17 was generated, so.</p> <p>18 THE WITNESS: Yeah, I'm not sure the date that</p> <p>19 they're.</p> <p>20 BY MR. REYHANI:</p> <p>21 <b>Q. When was the last time you looked to calculate</b></p> <p>22 <b>a total of the amount of bitcoins that the debtor</b></p> <p>23 <b>possessed?</b></p> <p>24 A. Personally?</p> <p>25 <b>Q. Daily, every other day?</b></p>
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<p>1 <b>bring you to your total of \$1.648 million in personal</b></p> <p>2 <b>property of the debtor. Am I reading that correctly?</b></p> <p>3 A. Yes, although I did not prepare the data for</p> <p>4 schedule B, but you're -- I think you have got a pretty</p> <p>5 good summary of what is written there.</p> <p>6 <b>Q. And there is no bitcoins listed on this</b></p> <p>7 <b>summary, is there?</b></p> <p>8 A. Not that I see.</p> <p>9 <b>Q. And there's no bitcoins listed anywhere in this</b></p> <p>10 <b>31 page summary of schedules of the debtor's assets,</b></p> <p>11 <b>correct?</b></p> <p>12 A. That's correct.</p> <p>13 <b>Q. As of the date of the petition, how many</b></p> <p>14 <b>bitcoins did the debtor have in their custody or control?</b></p> <p>15 A. I think zero.</p> <p>16 <b>Q. Zero?</b></p> <p>17 A. I believe so.</p> <p>18 <b>Q. How many bitcoins are currently within the</b></p> <p>19 <b>debtor's custody or control?</b></p> <p>20 A. Today? Do you mean like today right now?</p> <p>21 <b>Q. Today.</b></p> <p>22 A. I don't know exactly.</p> <p>23 <b>Q. Mr. Vessenes, you are here to testify regarding</b></p> <p>24 <b>the debt's assets?</b></p> <p>25 A. They've been mining while we're sitting here.</p>	<p>1 A. No, personally I rarely look. The last time I</p> <p>2 personally totaled them up was for the November report to</p> <p>3 the U.S. trustee.</p> <p>4 <b>Q. You don't care how many bitcoins the debtor</b></p> <p>5 <b>possesses?</b></p> <p>6 A. I care very much.</p> <p>7 <b>Q. How many bitcoins did the debtor mine in</b></p> <p>8 <b>December?</b></p> <p>9 A. I don't know an exact number.</p> <p>10 <b>Q. You're operating as debtor in possession and</b></p> <p>11 <b>you don't know how many bitcoins the debtor mined in</b></p> <p>12 <b>December?</b></p> <p>13 A. It is total immaterial. There is a financial</p> <p>14 audit that could tell us at any time. I don't need that</p> <p>15 number at the tip of my fingers. You also could audit it</p> <p>16 very easily looking at those addresses. What is the</p> <p>17 point of this line of questioning? You could get down</p> <p>18 the microsecond, exactly how many we had at any one</p> <p>19 moment.</p> <p>20 <b>Q. Would over 2,500 bitcoins in December make</b></p> <p>21 <b>sense?</b></p> <p>22 <b>MS. GLYNN LEVIN: Only if you know.</b></p> <p>23 THE WITNESS: We mined between probably 60 and</p> <p>24 80 bitcoins a day in the month of December. So I would</p> <p>25 say that's in the ballpark.</p>

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<p>1 BY MR. REYHANI:</p> <p>2 <b>Q. I believe in late November you actually</b></p> <p>3 <b>prognosticated at least 100 bitcoins a day. So 2,500</b></p> <p>4 <b>sounds fine.</b></p> <p>5 <b>How many bitcoins did the debtor mine in</b></p> <p>6 <b>November?</b></p> <p>7 A. I don't know. It's in our filings for the</p> <p>8 court. I can't -- again, I can't give you an exact</p> <p>9 number right at this moment.</p> <p>10 <b>Q. Did you not prepare at all to testify regarding</b></p> <p>11 <b>the assets and the basis and everything else regarding</b></p> <p>12 <b>the debtor today? It sounds like you don't know</b></p> <p>13 <b>anything.</b></p> <p>14 A. I thought you said I was an expert in bitcoin,</p> <p>15 I know everything earlier, Bryan. If you want financial</p> <p>16 reports, which we have provided and you have the ability</p> <p>17 also to look at based on the bitcoin address, we can roll</p> <p>18 over those. I don't think that's the best use of our</p> <p>19 time. It is independently.</p> <p>20 MS. GLYNN LEVIN: Just answer his question.</p> <p>21 THE WITNESS: So, yeah, I prepared the things</p> <p>22 that would be most useful and helpful for you.</p> <p>23 BY MR. REYHANI:</p> <p>24 <b>Q. And the debtor continuing to mine bitcoins and</b></p> <p>25 <b>the amount of bitcoins is not important?</b></p>	<p>1 <b>2,500 in December and approximately 500 so far in</b></p> <p>2 <b>January?</b></p> <p>3 <b>MS. GLYNN LEVIN: He said he didn't have the</b></p> <p>4 <b>specifics.</b></p> <p>5 MR. TOWNSEND: He's looking it up, though.</p> <p>6 MS. GLYNN LEVIN: Do you want him to look it</p> <p>7 up, or do you want him to answer from the top of his,</p> <p>8 from his memory?</p> <p>9 MR. REYHANI: I said approximately 4,500.</p> <p>10 Would you agree with me on that?</p> <p>11 THE WITNESS: No, I wouldn't. I can't rep to</p> <p>12 it, unless you give me time to add it up, which I'm happy</p> <p>13 to do.</p> <p>14 MR. TOWNSEND: If you have a question, you are</p> <p>15 entitled to answer it.</p> <p>16 THE WITNESS: Okay, hold on.</p> <p>17 MR. REYHANI: If you want to go -- did you want</p> <p>18 to go take ten, twenty minutes to look it up, and you</p> <p>19 didn't come prepared for this today, that's fine, go look</p> <p>20 it up.</p> <p>21 MR. TOWNSEND: Objection.</p> <p>22 MS. GLYNN LEVIN: No, go ahead. Keep asking</p> <p>23 questions.</p> <p>24 THE WITNESS: It's up to Bryan if he wants me</p> <p>25 to take the time to get him the precise numbers right</p>
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<p>1 A. It's absolutely important, but my knowledge of</p> <p>2 how many it has this moment has no bearing on that.</p> <p>3 <b>Q. And you understand you are here to today about</b></p> <p>4 <b>the debtor's assets?</b></p> <p>5 A. Well, I thought I was here to testify to what</p> <p>6 would be responsive to quite a broad range of questions</p> <p>7 you had about the debtor. If you'd like, I can pull you</p> <p>8 up exact numbers for those if you give me a little time.</p> <p>9 I can do them right now.</p> <p>10 <b>Q. In January so far, how many bitcoins has the</b></p> <p>11 <b>debtor mined?</b></p> <p>12 A. I don't know, but again we're between 60 and 75</p> <p>13 a day right now. So I would estimate -- what's today</p> <p>14 right now? It is the 7th. We're halfway through the</p> <p>15 7th.</p> <p>16 MS. GLYNN LEVIN: Don't guess.</p> <p>17 THE WITNESS: Between 3- and 500, I would</p> <p>18 guess. My lawyer said not to guess.</p> <p>19 BY MR. REYHANI:</p> <p>20 <b>Q. So ballpark we have mined around 4,500 bitcoins</b></p> <p>21 <b>since the petition was filed in this matter?</b></p> <p>22 A. I don't know. I'm kind of lost now with the</p> <p>23 math now, Bryan. If you would like, I can read all your</p> <p>24 mining reports again.</p> <p>25 <b>Q. Approximately 1,500 in November, approximately</b></p>	<p>1 now. That's fine. What do you wish me to do, Mr.</p> <p>2 Reyhani?</p> <p>3 BY MR. REYHANI:</p> <p>4 <b>Q. If the debtor mined 4,500 bitcoins since the</b></p> <p>5 <b>date of petition, what is the U.S. dollar value of that</b></p> <p>6 <b>amount of mined bitcoins?</b></p> <p>7 <b>MS. GLYNN LEVIN: If you have personal</b></p> <p>8 <b>knowledge of that.</b></p> <p>9 THE WITNESS: It varies. How do you wish me to</p> <p>10 price it?</p> <p>11 BY MR. REYHANI:</p> <p>12 <b>Q. I don't know, today it was trading at about a</b></p> <p>13 <b>high of 957. Let's use 900, so we use round numbers. If</b></p> <p>14 <b>it's \$900 a bitcoin, what is the U.S. dollar of 4,500</b></p> <p>15 <b>bitcoins?</b></p> <p>16 MR. TOWNSEND: I will rep to you that, according</p> <p>17 to bit stamp, bitcoin prices are \$813 at this moment.</p> <p>18 THE WITNESS: It sounds like bitcoin is</p> <p>19 crashing horribly. Do you want me to multiply 4,500</p> <p>20 times 813 for you or some other number? Do you want a</p> <p>21 mark-to-market price or value at the time they're</p> <p>22 generated?</p> <p>23 MR. REYHANI: Use whatever number you want.</p> <p>24 MS. GLYNN LEVIN: Just explain.</p> <p>25 THE WITNESS: 4,500 times 800 I'm happy to</p>

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<p>1 calculate for you. I don't know, what is that,</p> <p>2 3.25 million roughly, something like that. That would be</p> <p>3 what 800 times 4,500 is.</p> <p>4 BY MR. REYHANI:</p> <p>5 <b>Q. And it's your testimony that the debtor is on</b></p> <p>6 <b>pace to mine approximately 2,000 bitcoins in the month of</b></p> <p>7 <b>January, if it's 60 to 75 bitcoins a day?</b></p> <p>8 A. No, it's not my testimony that that's the case.</p> <p>9 <b>Q. Is that the case?</b></p> <p>10 A. No. The debtor is not on -- I'm sorry, I don't</p> <p>11 recall the word you used, but I'm not sure that at the</p> <p>12 current mining speeds 2,000 coins will be mined in</p> <p>13 January. I don't think that's likely.</p> <p>14 <b>Q. What do you think is a fair approximation of</b></p> <p>15 <b>the amount of bitcoins that would be mined in January?</b></p> <p>16 A. Well, we'll put together a formal projection</p> <p>17 for the court shortly. Bitcoin mining speeds are going</p> <p>18 up, as they have been for quite some time. So you have</p> <p>19 to discount out how much you think you'll earn because</p> <p>20 you are competing with other miners.</p> <p>21 If I had a computer, I could probably give you</p> <p>22 a fair estimate, but, yeah, I don't know. Between 1,500</p> <p>23 and certainly less than 2,000. Almost certainly more</p> <p>24 than 1,500, if all the equipment stays up and running.</p> <p>25 <b>Q. What about February?</b></p>	<p>1 A. No. Probably our bookkeeper accountant did.</p> <p>2 <b>Q. Can you walk through for me the whole middle</b></p> <p>3 <b>section regarding the dates of payments and transfers and</b></p> <p>4 <b>the amount paid or value of transfers regarding CoinLab?</b></p> <p>5 A. Yeah, we've actually provided now to you twice</p> <p>6 this information in discovery, the invoices from CoinLab</p> <p>7 to Alydian, which you have referred back to. So these</p> <p>8 are intended just to detail out what the invoices that</p> <p>9 Alydian, you know, that Alydian owed are. And so they're</p> <p>10 dated at invoice date.</p> <p>11 <b>Q. I'm sorry. Can you -- what are the dates that</b></p> <p>12 <b>we're seeing?</b></p> <p>13 A. These would be the invoice dates of invoices</p> <p>14 delivered to Alydian.</p> <p>15 <b>Q. From CoinLab?</b></p> <p>16 A. Yes.</p> <p>17 <b>Q. So on August 7, 2013, August 19, 2013, and so</b></p> <p>18 <b>on, CoinLab delivered invoices to Alydian in the amounts</b></p> <p>19 <b>that are represented in the next column amount of with</b></p> <p>20 <b>the dollar figures, correct?</b></p> <p>21 A. That's correct.</p> <p>22 <b>Q. And here here's a good example. In August</b></p> <p>23 <b>there were three invoices totaling about \$500,000. So</b></p> <p>24 <b>Alydian would have paid \$15,000 in administrative fees,</b></p> <p>25 <b>correct?</b></p>
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<p>1 A. Well, it will certainly be less than January.</p> <p>2 Dan is nodding over there. He's probably got the numbers</p> <p>3 right at his fingertips but if January is 1,500, February</p> <p>4 will be more like 8- or 900, maybe 11. So much of it</p> <p>5 depends on what other mining companies deploy, which we</p> <p>6 just don't know.</p> <p>7 <b>Q. What about March?</b></p> <p>8 A. I have no idea. No one knows what March holds,</p> <p>9 and those are all the by the way -- those are gross. So</p> <p>10 you have got to offset costs, operating costs and other</p> <p>11 expenses for running them.</p> <p>12 <b>Q. You can offset anything you want. I'm just</b></p> <p>13 <b>asking you what the total amount of bitcoins being mined</b></p> <p>14 <b>are.</b></p> <p>15 <b>Let's turn to Sofa 3 B on page 25 of the</b></p> <p>16 <b>document before you.</b></p> <p>17 A. Sofa. After this question, I would like to</p> <p>18 take a short break, if that's okay.</p> <p>19 <b>Q. Yes.</b></p> <p>20 MS. SIMONYAN: That's page 25.</p> <p>21 THE WITNESS: Okay, thank you, Tereza.</p> <p>22 BY MR. REYHANI:</p> <p>23 <b>Q. Are you familiar with the data on this page?</b></p> <p>24 A. Yes, somewhat.</p> <p>25 <b>Q. Did you provide this information?</b></p>	<p>1 A. Yes, or what is that? Two and a half percent</p> <p>2 or something.</p> <p>3 <b>Q. And the same for September, there's three</b></p> <p>4 <b>invoices for September?</b></p> <p>5 A. And then two for October.</p> <p>6 <b>Q. So Alydian was paying?</b></p> <p>7 A. And two for October.</p> <p>8 <b>Q. Okay. The title of the column says dates of</b></p> <p>9 <b>payments. You have indicated to me that these are the</b></p> <p>10 <b>dates of the transfer, the dates of the invoices.</b></p> <p>11 A. Yeah, I believe so. I don't think that payment</p> <p>12 was effected on the dates listed here. I think those are</p> <p>13 the invoice dates. Or yeah, I think that's correct.</p> <p>14 <b>Q. So the schedule is all wrong?</b></p> <p>15 A. No, I didn't say that. I just said that I</p> <p>16 believe those are the invoice dates.</p> <p>17 <b>Q. So what are the payment dates?</b></p> <p>18 A. I believe -- I don't know for sure. I think</p> <p>19 most of those to the extent they were paid, and a bunch</p> <p>20 weren't, were paid on October 30th.</p> <p>21 <b>Q. Most were paid on October 30th?</b></p> <p>22 A. Of the ones that were paid, it was paid, I</p> <p>23 believe, on October 30th.</p> <p>24 <b>Q. Where is -- is that reflected by the \$580,000</b></p> <p>25 <b>payment on October 30th?</b></p>

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<p>1 A. No, that's the invoice amount, I think. I</p> <p>2 don't know. I believe that's -- I believe that's the</p> <p>3 case.</p> <p>4 MS. GLYNN LEVIN: Personal knowledge. Only if</p> <p>5 you know.</p> <p>6 THE WITNESS: I don't know. I don't know</p> <p>7 precisely.</p> <p>8 MS. SIMONYAN: He signed these under oath.</p> <p>9 What do you mean personal knowledge? He signed these</p> <p>10 under oath. He's here at a 2004 exam to testify about</p> <p>11 his bankruptcy schedule.</p> <p>12 MS. GLYNN LEVIN: He said he's not sure. He's</p> <p>13 been testified to ask under oath. He said, you know, I'm</p> <p>14 not sure based on whether it is the invoice date or the</p> <p>15 date of transfer. He said I am not sure. That's what he</p> <p>16 said.</p> <p>17 MS. SIMONYAN: We have a specific change with</p> <p>18 the phone conference with the judge where the judge</p> <p>19 specifically said that he needs to come prepared to</p> <p>20 testify about his bankruptcy schedules, his assets.</p> <p>21 MS. GLYNN LEVIN: He's not the bookkeeper.</p> <p>22 Tereza he's not the bookkeeper. He said these were</p> <p>23 prepared by the bookkeeper. If you want the specific</p> <p>24 dates of that these invoices were paid, ask me and I will</p> <p>25 certainly do my best to find those. I'm not trying to.</p>	<p>1 <b>Q. You don't know her telephone number?</b></p> <p>2 A. Like I said, as I told you earlier today it's</p> <p>3 on my cellphone, which I have left behind.</p> <p>4 MS. SIMONYAN: Will you provide this</p> <p>5 information?</p> <p>6 MS. GLYNN LEVIN: Which information.</p> <p>7 MS. SIMONYAN: The contact information for the</p> <p>8 bookkeeper who prepare the schedules.</p> <p>9 MS. GLYNN LEVIN: The bookkeeper didn't prepare</p> <p>10 the schedules.</p> <p>11 MS. SIMONYAN: I just testified that the</p> <p>12 bookkeeper prepared schedule B.</p> <p>13 MS. GLYNN LEVIN: Schedule B?</p> <p>14 MS. SIMONYAN: Yes.</p> <p>15 MS. GLYNN LEVIN: What schedule B.</p> <p>16 MS. SIMONYAN: Schedule B is the list of</p> <p>17 personal assets.</p> <p>18 MS. GLYNN LEVIN: We're on a sofa. We're under</p> <p>19 sofa question 3 B, and that's what we're talking about.</p> <p>20 MS. SIMONYAN: Obviously the bookkeeper has</p> <p>21 played a key role in preparing the bankruptcy schedules.</p> <p>22 Will you provide her contact information so we can get</p> <p>23 information from her. Obviously Peter is not prepared to</p> <p>24 testify about it completely.</p> <p>25 MS. GLYNN LEVIN: He doesn't know everything</p>
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<p>1 MS. SIMONYAN: You were supposed to provide</p> <p>2 this information in the bankruptcy schedules.</p> <p>3 THE WITNESS: We actually did. You have got</p> <p>4 these. You have got all invoices.</p> <p>5 MS. GLYNN LEVIN: You have got all the</p> <p>6 invoices.</p> <p>7 THE WITNESS: Actually you have all the payment</p> <p>8 dates too.</p> <p>9 MS. SIMONYAN: He don't have the payment dates.</p> <p>10 You are tell me all the payment dates are incorrect in</p> <p>11 this. We asked for.</p> <p>12 THE WITNESS: Excuse me, you have bank</p> <p>13 statements and you have every bitcoin address and every</p> <p>14 bitcoin transaction much you have all the payment dates.</p> <p>15 You have every by the of money Alydian.</p> <p>16 BY MR. REYHANI:</p> <p>17 <b>Q. I have a few questions. Who is the bookkeeper?</b></p> <p>18 A. Kelly Gates.</p> <p>19 <b>Q. What is her email address?</b></p> <p>20 A. Kelly at CoinLab.com. Actually, she might have</p> <p>21 a Denali one as well.</p> <p>22 <b>Q. What is her telephone number?</b></p> <p>23 A. Why don't you try her at the CoinLab address.</p> <p>24 <b>Q. What is her phone number?</b></p> <p>25 A. I don't know.</p>	<p>1 down to the last penny or the last transaction, nor would</p> <p>2 any managing person know, nor is he expected to know.</p> <p>3 He's testified just about everything and I think he's</p> <p>4 satisfied the minimum requirements for the debtor. If</p> <p>5 you want to lecture, that's the lecture. If you want the</p> <p>6 specific dates that the invoices were paid, ask me and I</p> <p>7 will make an effort to get those from the bookkeeper or</p> <p>8 whoever has them. I'm happy to provide those, no</p> <p>9 problem.</p> <p>10 MS. SIMONYAN: But right now you are</p> <p>11 instructing your client to not provide the contact</p> <p>12 information for the accountant who prepared the schedules</p> <p>13 is that correct? If I'm wrong tell me.</p> <p>14 THE WITNESS: I already gave it.</p> <p>15 MS. SIMONYAN: We want the phone number.</p> <p>16 MS. GLYNN LEVIN: The problem is you keep</p> <p>17 saying the accountant who prepared the schedules. That's</p> <p>18 the predicates in not correct. You want the name of the</p> <p>19 accountant or the address or the email or phone number,</p> <p>20 that's one thing if you want the name of the person who</p> <p>21 prepared the schedules, that's not necessarily the same</p> <p>22 person.</p> <p>23 MR. REYHANI: Who prepared the schedules.</p> <p>24 MS. SIMONYAN: Is the predicate not correct?</p> <p>25 Did Kelly not help prepare the schedules.</p>

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<p>1 MR. TOWNSEND: The two deponents here is throwing</p> <p>2 me out.</p> <p>3 MS. SIMONYAN: We're both attorneys of record.</p> <p>4 MR. TOWNSEND: No, I don't.</p> <p>5 MS. SIMONYAN: We both appear in this case.</p> <p>6 You are sitting together here making combined objections.</p> <p>7 MR. TOWNSEND: I represent different people.</p> <p>8 MS. GLYNN LEVIN: You get one person to ask the</p> <p>9 question. I promise, if Bryan -- I will keep answering</p> <p>10 your question. If you want the dates, if you want the</p> <p>11 dates of all all of the invoices and dates they were</p> <p>12 paid, if you don't feel that 3 B is accurately reflect --</p> <p>13 THE WITNESS: Actually, 3 B has been amended.</p> <p>14 We filed an amendment with the Court already.</p> <p>15 MS. GLYNN LEVIN: I don't know about that.</p> <p>16 THE WITNESS: I thought we did.</p> <p>17 MS. GLYNN LEVIN: If you want that, I know we</p> <p>18 have provided all the invoices but if you specifically</p> <p>19 want another set of information as to when they were</p> <p>20 paid, I'm perfectly happy to obtain that information.</p> <p>21 THE WITNESS: That's totally fine.</p> <p>22 MS. GLYNN LEVIN: If you give me a day or two,</p> <p>23 I will get that, okay?</p> <p>24 MR. REYHANI: By all means.</p> <p>25 BY MR. REYHANI:</p>	<p>1 <b>Q. Explain to me how they did that?</b></p> <p>2 A. Alydian just transferred bitcoins to a CoinLab</p> <p>3 owned address and the as you know, because you have now</p> <p>4 seen the reports that offset some but not all of the open</p> <p>5 CoinLab invoices and rest was put into a claim for</p> <p>6 bankruptcy.</p> <p>7 <b>Q. So Alydian transferred all their bitcoins on</b></p> <p>8 <b>the eve of bankruptcy to cover prior out standing</b></p> <p>9 <b>invoices from CoinLab?</b></p> <p>10 A. Correct.</p> <p>11 <b>Q. How did you calculate the formulate that was</b></p> <p>12 <b>being utilized to cover the invoices?</b></p> <p>13 A. We used a standard formula, the same that the</p> <p>14 bitcoin foundation does, and other companies use for</p> <p>15 reimbursements in bitcoin. So on the date that a part is</p> <p>16 purchased or that the -- yeah, on a date that an actual</p> <p>17 payment is made, the bitcoin price of the previous day,</p> <p>18 the previous day volume weighted average price is used,</p> <p>19 and that's the price that the transaction occurs at. So</p> <p>20 they're all mark to market on the day that the part was</p> <p>21 purchased.</p> <p>22 <b>Q. How much was bitcoin in early August 2013?</b></p> <p>23 A. I don't know off the top of my head. Would you</p> <p>24 like me to look it up for you?</p> <p>25 MS. GLYNN LEVIN: No, no.</p>
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<p>1 <b>Q. So none of these payments on sofa 3 B are</b></p> <p>2 <b>actually accurate, right, Mr. Vessenes?</b></p> <p>3 A. Again, I believe the numbers are correct, but I</p> <p>4 think that they are invoice amounts. I believe that</p> <p>5 they're invoice amounts.</p> <p>6 <b>Q. They are not the payment dates, correct?</b></p> <p>7 A. I just -- I told you as much as I know. I</p> <p>8 don't believe so. I believe that they're the invoice</p> <p>9 dates rather than the payment dates.</p> <p>10 <b>Q. I'm sure you are aware that the debtor in this</b></p> <p>11 <b>matter transferred about \$3 million on the eve of</b></p> <p>12 <b>bankruptcy. Where did that money go or do you not know</b></p> <p>13 <b>about that either?</b></p> <p>14 A. I like that question. Those paid open</p> <p>15 invoices.</p> <p>16 <b>Q. I'm fascinated that you actually find this</b></p> <p>17 <b>funny. It is very serious and the fact you come in here</b></p> <p>18 <b>and don't know about all this money, it's personally just</b></p> <p>19 <b>been an affront to the bankruptcy process. The debtor</b></p> <p>20 <b>transferred \$3 million on the eve of bankruptcy. Where</b></p> <p>21 <b>did it go?</b></p> <p>22 A. Bryan, you have persisted in insulting me and</p> <p>23 complaining when I laugh it off. I am trying to answer</p> <p>24 your questions. So Alydian paid as much of the open</p> <p>25 CoinLab invoices as it could with those coins.</p>	<p>1 BY MR. REYHANI:</p> <p>2 <b>Q. How much was bitcoin when the debtor filed its</b></p> <p>3 <b>petition?</b></p> <p>4 A. The previous day bitstamp volume weighted</p> <p>5 average price for November 1, so we would use the 10/30</p> <p>6 price, was \$200.40, give or take.</p> <p>7 MR. REYHANI: I would like for Tereza to</p> <p>8 circulate what we're going to mark as Exhibit 11. It's</p> <p>9 the operating agreement between CoinLab and the debtor.</p> <p>10 (Exhibit No. 10 marked.)</p> <p>11 BY MR. REYHANI:</p> <p>12 <b>Q. It's a four-page document dated November 4,</b></p> <p>13 <b>2013, executed by Peter Vessenes on behalf of the debtor</b></p> <p>14 <b>and executed by Peter Vessenes on behalf of CoinLab?</b></p> <p>15 A. Are you done with 10, Bryan?</p> <p>16 <b>Q. For the time being.</b></p> <p>17 <b>Have you seen this document before?</b></p> <p>18 A. Yes, although the fonts are funny on it, but</p> <p>19 yeah I have seen it.</p> <p>20 <b>Q. And there was no written operating agreement by</b></p> <p>21 <b>and between CoinLab and Alydian before this one dated</b></p> <p>22 <b>November 4, 2013, correct?</b></p> <p>23 A. That's correct.</p> <p>24 <b>Q. Who drafted this document?</b></p> <p>25 A. I don't recall. It may have been -- I don't</p>

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<p>1 recall.</p> <p>2 <b>Q. Did you draft it?</b></p> <p>3 A. No, I did not draft this document. I said I</p> <p>4 don't recall.</p> <p>5 <b>Q. Did your lawyer draft it?</b></p> <p>6 A. Certainly. Certainly a lawyer drafted this.</p> <p>7 <b>Q. Certainly what? I'm sorry.</b></p> <p>8 A. Certainly a lawyer drafted this.</p> <p>9 <b>Q. Did you discuss this operating agreement with</b></p> <p>10 <b>your bankruptcy counsel prior to executing it?</b></p> <p>11 A. Yes.</p> <p>12 <b>Q. And paragraph 4 on page 2, Alydian could pay</b></p> <p>13 <b>its invoices to CoinLab in either U.S. dollars or</b></p> <p>14 <b>bitcoin, correct?</b></p> <p>15 A. Yes.</p> <p>16 <b>Q. But here Alydian transferred 10,000 bitcoin to</b></p> <p>17 <b>CoinLab to cover prior expenses, correct?</b></p> <p>18 A. They transferred bitcoin to cover prior</p> <p>19 expenses prepetition.</p> <p>20 <b>Q. Prepetition. Whether those expenses could have</b></p> <p>21 <b>been paid by Alydian in U.S. dollars, correct?</b></p> <p>22 A. No, Alydian had no dollars at that time.</p> <p>23 <b>Q. Could Alydian not have sold those bitcoins at</b></p> <p>24 <b>the current market value of bitcoin and transferred that</b></p> <p>25 <b>cash to CoinLab?</b></p>	<p>1 <b>beforehand, Alydian had the ability to pay cash prior</b></p> <p>2 <b>invoices that CoinLab purportedly invoiced it for,</b></p> <p>3 <b>correct?</b></p> <p>4 A. I see what you are getting at, but the answer</p> <p>5 is no. Alydian had only bitcoins in the months leading</p> <p>6 up to in the months leading up to the petition. So one</p> <p>7 way or the other it has got to sell bitcoins to pay for</p> <p>8 its cash expenses.</p> <p>9 Now, Alydian is not likely to get credit from</p> <p>10 anyone. So either Alydian is moving along and every time</p> <p>11 it needs cash it is selling bitcoins to get cash and then</p> <p>12 sending it to whoever wants to buy it, or it has got an</p> <p>13 arrangement, like the one it had with CoinLab, where it</p> <p>14 will sell the bitcoins on the day the purchase is made.</p> <p>15 Now, those two situations come to the same</p> <p>16 thing. If Alydian has got to go buy parts on</p> <p>17 September 15th for cash, it either sells coins on</p> <p>18 September 15th for cash or what? What else does it do?</p> <p>19 It has got to somehow get dollars.</p> <p>20 So, you know, if you would say like couldn't</p> <p>21 Alydian have sold a bunch of bitcoins on October 30th for</p> <p>22 purchases made in August, the answer is no. There are no</p> <p>23 companies that would extend Alydian credit to do that.</p> <p>24 Can we have our break now, Mr. Reyhani? We</p> <p>25 talked about it a little while ago.</p>
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<p>1 A. Not quickly or easily.</p> <p>2 <b>Q. Not quickly or easily?</b></p> <p>3 A. No. It would have needed banking, a bank</p> <p>4 account, and it would have needed to open exchange</p> <p>5 accounts, go through AML and KYC procedure. So it was</p> <p>6 not immediately, but -- are you asking on October 30th?</p> <p>7 <b>Q. Mr. Vessenes, I don't need to remind you are</b></p> <p>8 <b>under oath. Couldn't have Alydian relatively easily have</b></p> <p>9 <b>sold those 10,000 bitcoins and paid in cash prior</b></p> <p>10 <b>invoices to CoinLab?</b></p> <p>11 A. On October 30th?</p> <p>12 <b>Q. Yes.</b></p> <p>13 A. No, it could not have on October 30th easily</p> <p>14 have sold all those bitcoins for cash.</p> <p>15 <b>Q. Alydian couldn't have found a private buyer to</b></p> <p>16 <b>purchase those bitcoins?</b></p> <p>17 A. Not in a single day.</p> <p>18 <b>Q. Alydian couldn't have gone to an exchange?</b></p> <p>19 A. I have already told you not in a single day.</p> <p>20 It takes quite a while to get AML/KYC out of the exchange</p> <p>21 right now. It could be upwards of a couple of weeks,</p> <p>22 depending on the quality of the exchange, and selling an</p> <p>23 amount of that size would move the market prices</p> <p>24 significantly.</p> <p>25 <b>Q. If Alydian had set up these accounts</b></p>	<p>1 MR. REYHANI: Sure, five minutes? Hello? Will</p> <p>2 that work?</p> <p>3 THE WITNESS: Yes, that's fine.</p> <p>4 MR. REYHANI: We will go off the record and be</p> <p>5 back in five minutes.</p> <p>6 (A break was taken from</p> <p>7 2:43 p.m. to 2:52 p.m.)</p> <p>8 BY MR. REYHANI:</p> <p>9 <b>Q. So Mr. Vessenes, we were talking about these</b></p> <p>10 <b>invoices and the amount of money that was transferred out</b></p> <p>11 <b>of the debtor's estate on the eve of bankruptcy,</b></p> <p>12 <b>approximately \$3 million worth of bitcoin was transferred</b></p> <p>13 <b>out. Where did that money go?</b></p> <p>14 <b>MS. GLYNN LEVIN: Objection. I'm not sure his</b></p> <p>15 <b>testimony said anything about \$3 million. I think that</b></p> <p>16 <b>was your question, but I don't think he testified about</b></p> <p>17 <b>that. I could be wrong, but you could ask him if it was</b></p> <p>18 <b>\$3 million.</b></p> <p>19 MS. SIMONYAN: Sofa number 3 it may not be</p> <p>20 precisely 3 million but sofa Mr. Vessenes has just</p> <p>21 testified that the transfers actually occurred on</p> <p>22 October 30th, I believe was his testimony.</p> <p>23 THE WITNESS: I said I believe that was the</p> <p>24 case.</p> <p>25 MS. SIMONYAN: So that's what Bryan is asking</p>

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<p>1 about.</p> <p>2 THE WITNESS: Sorry, can you say it again?</p> <p>3 Bryan? I just lost the thread.</p> <p>4 BY MR. REYHANI:</p> <p>5 <b>Q. The transfers on October 30th, all those</b></p> <p>6 <b>transfers of bitcoin went to CoinLab?</b></p> <p>7 A. Yes.</p> <p>8 <b>Q. And instead of selling the bitcoin on the price</b></p> <p>9 <b>as of that date, you -- how did you quantify the value of</b></p> <p>10 <b>the bitcoin that pertained to the invoices?</b></p> <p>11 A. Although there was no contract with Alydian at</p> <p>12 the time, this contract is an attempt to memorialize how</p> <p>13 the company is operated and the way they operated was by</p> <p>14 pegging the price to the volume weighted average price on</p> <p>15 the prior day to when a purchase was made.</p> <p>16 <b>Q. So you were market to marking back to when the</b></p> <p>17 <b>purchase was made as opposed to what the bitcoin was on</b></p> <p>18 <b>the date of transfer?</b></p> <p>19 A. That's correct.</p> <p>20 <b>Q. So if bitcoin was trading at \$200 on</b></p> <p>21 <b>October 30th, what was trading at \$100 on August 7th, you</b></p> <p>22 <b>were only giving it a value of \$100 instead of \$200?</b></p> <p>23 A. If a purchase was made on -- I forget the date</p> <p>24 you said -- August 7th, and then the price on that day --</p> <p>25 if a purchase was made on Alydian's behalf on August 7th,</p>	<p>1 A. That's correct.</p> <p>2 <b>Q. So you were bullish on -- CoinLab was bullish</b></p> <p>3 <b>on bitcoin, correct?</b></p> <p>4 A. That's correct.</p> <p>5 <b>Q. And you are the man in charge of CoinLab as the</b></p> <p>6 <b>title of CEO, correct?</b></p> <p>7 A. Correct.</p> <p>8 <b>Q. So you were trying to collect as many bitcoins</b></p> <p>9 <b>as possible for CoinLab, correct?</b></p> <p>10 A. Oh, you are not asking me about CoinLab</p> <p>11 business plans at the time.</p> <p>12 <b>Q. You put this into your own declaration; CoinLab</b></p> <p>13 <b>wished to purchase bitcoins at this time.</b></p> <p>14 A. And I have told you that is correct, but you</p> <p>15 extended that and said as many as we wanted, and I'm</p> <p>16 saying I won't comment on that. That's part of CoinLab's</p> <p>17 business plans.</p> <p>18 <b>Q. You personally are bullish on bitcoin, correct?</b></p> <p>19 A. As the chairman of the bitcoin foundation, I</p> <p>20 don't often make bitcoin price recommendations.</p> <p>21 <b>Q. The answer is yes or no? Are you bullish on</b></p> <p>22 <b>bitcoin?</b></p> <p>23 A. I'm telling you you are not here deposing me in</p> <p>24 my personal capacity, and there are possible market</p> <p>25 impacts to me making statements about future price of</p>
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<p>1 and bitcoin prices were at \$100, then the bill to</p> <p>2 Alydian, if it were remitted in bitcoin, would remit at</p> <p>3 the August 7th price regardless of what the future price</p> <p>4 is. It could go up or down.</p> <p>5 <b>Q. But on October 30th you could have sold the</b></p> <p>6 <b>bitcoins for \$200 and transferred \$100 of that to CoinLab</b></p> <p>7 <b>to cover the invoice because the operating agreement says</b></p> <p>8 <b>you could cover it in cash, correct?</b></p> <p>9 A. We had no operating agreement on October 31st</p> <p>10 or 30th, whatever the last day of the month of October</p> <p>11 is.</p> <p>12 <b>Q. You just said you were trying to memorialize</b></p> <p>13 <b>the prior agreement, and it says here that you can pay in</b></p> <p>14 <b>cash and/or bitcoin.</b></p> <p>15 <b>So it would have been in Alydian's best</b></p> <p>16 <b>interest if you sold the bitcoins and paid cash to</b></p> <p>17 <b>CoinLab, correct?</b></p> <p>18 A. If it had been able to do that on short notice,</p> <p>19 it would have been. However, I do think it was able to</p> <p>20 do that on a short notice.</p> <p>21 <b>Q. I want to turn your attention back to your</b></p> <p>22 <b>declaration -- it's Exhibit 2 -- for a minute.</b></p> <p>23 A. Okay, go ahead.</p> <p>24 <b>Q. And on paragraph 12 you have that CoinLab</b></p> <p>25 <b>wished to purchase bitcoins at this time.</b></p>	<p>1 bitcoins.</p> <p>2 <b>Q. You are the man in charge of both Alydian and</b></p> <p>3 <b>CoinLab and you have here that CoinLab wished to purchase</b></p> <p>4 <b>bitcoins at this time. You wouldn't have CoinLab do</b></p> <p>5 <b>something that was adverse to your own personal opinion,</b></p> <p>6 <b>correct?</b></p> <p>7 A. Well, that's not the case. There are lots of</p> <p>8 reasons a corporation might choose to act in a way</p> <p>9 different than I would prefer.</p> <p>10 <b>Q. Tell me, was CoinLab acting in a way that was</b></p> <p>11 <b>adverse to what you would prefer?</b></p> <p>12 <b>MS. GLYNN LEVIN: This individual is</b></p> <p>13 <b>representing the debtor, and CoinLab is not the debtor</b></p> <p>14 <b>here, CoinLab is a creditor. So you are going to have to</b></p> <p>15 <b>frame your questions to him as a spokesman for the debtor</b></p> <p>16 <b>only.</b></p> <p>17 BY MR. REYHANI:</p> <p>18 <b>Q. I'm phrasing my questions correctly. You as</b></p> <p>19 <b>the chief executive of Alydian, were you bullish on</b></p> <p>20 <b>buying bitcoins at this time?</b></p> <p>21 A. Did Alydian think bitcoin prices would go up?</p> <p>22 What time are you asking about?</p> <p>23 <b>Q. The same time that CoinLab wished to purchase</b></p> <p>24 <b>bitcoin.</b></p> <p>25 A. That's a fairly broad range. Can you say more?</p>

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<p>1 <b>Q. Oh, my God. Use the range that is in your</b></p> <p>2 <b>declaration at paragraph 12.</b></p> <p>3 A. There's not really a range given here in the</p> <p>4 declaration, either. Alydian has alternately been</p> <p>5 bullish and bearish on the price of bitcoin over the time</p> <p>6 frame that this declaration covers. How's that?</p> <p>7 Sometimes we think --</p> <p>8 <b>Q. When was Alydian alternately bullish and</b></p> <p>9 <b>bearish about bitcoin? Tell me those time frames.</b></p> <p>10 A. Alydian was bullish on the price when it</p> <p>11 dropped down to 4- or 500 on the China news a few weeks</p> <p>12 ago. We were very bearish on the price when KNC miner</p> <p>13 introduced their new mining, they're 20 nanometer mining</p> <p>14 rigs. I didn't --</p> <p>15 <b>Q. Did CoinLab have the same opinion during the</b></p> <p>16 <b>same time?</b></p> <p>17 <b>MS. GLYNN LEVIN: What was the question?</b></p> <p>18 THE WITNESS: He asked if CoinLab had the same</p> <p>19 opinion during the same time.</p> <p>20 MR. TOWNSEND: Objection. That's outside the</p> <p>21 scope.</p> <p>22 MR. REYHANI: That's not outside the scope.</p> <p>23 It's right in his declaration. CoinLab wished to</p> <p>24 purchase bitcoins at this time. If you want to discuss</p> <p>25 it with Judge Overstreet, that's fine. It seems like the</p>	<p>1 <b>had it just sold the bitcoins and just paid the invoices</b></p> <p>2 <b>in cash, is that not correct?</b></p> <p>3 A. I don't think that's correct.</p> <p>4 <b>Q. Well, you were mark to marketing them at prices</b></p> <p>5 <b>that were substantially below \$200, 100, 125, whatever it</b></p> <p>6 <b>is. So if you're quantifying those bitcoins at those</b></p> <p>7 <b>prices instead of \$200 or so on that date --</b></p> <p>8 A. You throw in a double. The actual number is</p> <p>9 going to depend on thousands of different transactions.</p> <p>10 So every time a purchase was made, you know, that's going</p> <p>11 to impact the value.</p> <p>12 <b>Q. Of course. Let's just use round numbers. If</b></p> <p>13 <b>you are transferring a \$200 value bitcoin for \$100</b></p> <p>14 <b>instead selling that bitcoin for \$200 and transferring</b></p> <p>15 <b>\$100, Alydian is essentially paying double for those</b></p> <p>16 <b>invoices, correct?</b></p> <p>17 A. Well, you...</p> <p>18 <b>Q. Just answer the question. Are they paying</b></p> <p>19 <b>double if they're transferring a \$200 value bitcoin for a</b></p> <p>20 <b>\$100 invoice?</b></p> <p>21 A. Like I said, I'm not sure compared to what</p> <p>22 other alternative, so the --</p> <p>23 <b>Q. I didn't ask you about an alternative. If</b></p> <p>24 <b>Alydian is transferring a \$200 value bitcoin on</b></p> <p>25 <b>October 30th on an invoice that is worth \$100 --</b></p>
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<p>1 same person making the same call.</p> <p>2 MR. TOWNSEND: No, it's just the 30(b)(6).</p> <p>3 THE WITNESS: It's not necessarily that you</p> <p>4 make the same call for the two companies. One company is</p> <p>5 producing only bitcoins. It has got different worries.</p> <p>6 It has got different liabilities.</p> <p>7 BY MR. REYHANI:</p> <p>8 <b>Q. Right, but you believed at that time that</b></p> <p>9 <b>bitcoin was going to increase in value?</b></p> <p>10 MR. TOWNSEND: Objection.</p> <p>11 BY MR. REYHANI:</p> <p>12 <b>Q. Otherwise you wouldn't want to purchase it,</b></p> <p>13 <b>correct?</b></p> <p>14 MR. TOWNSEND: Objection. Ambiguous as to</p> <p>15 "you."</p> <p>16 BY MR. REYHANI:</p> <p>17 <b>Q. You personally.</b></p> <p>18 A. I personally. I personally did not buy any</p> <p>19 coins over that time and in fact sold quite a few.</p> <p>20 <b>Q. On behalf of CoinLab did you not purchase</b></p> <p>21 <b>bitcoins?</b></p> <p>22 A. I said right there yes, we did.</p> <p>23 <b>Q. So if instead of transferring 10,000 bitcoins</b></p> <p>24 <b>to Alydian -- to CoinLab from Alydian, Alydian</b></p> <p>25 <b>essentially would have had doubled the amount of money</b></p>	<p>1 A. Say that again. I'm sorry. One second.</p> <p>2 MR. TOWNSEND: If you are going to have a</p> <p>3 double, there's got to be two things, right?</p> <p>4 THE WITNESS: From something else?</p> <p>5 MR. TOWNSEND: Yes. There's got to be an</p> <p>6 alternative.</p> <p>7 THE WITNESS: You know the invoices -- I agree.</p> <p>8 Like what is the alternative? What was Alydian's</p> <p>9 alternative to pay because you're asking -- you're saying</p> <p>10 it spent twice what it should have, right? Is that your</p> <p>11 question, did Alydian pay twice what it should have.</p> <p>12 BY MR. REYHANI:</p> <p>13 <b>Q. I'm asking the questions, Peter. Not you.</b></p> <p>14 A. I'm just trying to get to an answer.</p> <p>15 MR. REYHANI: Counsel, can you ask him to</p> <p>16 answer the question?</p> <p>17 BY MR. REYHANI:</p> <p>18 <b>Q. If you have a \$200 value bitcoin on</b></p> <p>19 <b>October 30th and you are referring it for a \$100 value</b></p> <p>20 <b>invoice, are you not paying double the amount of the</b></p> <p>21 <b>invoice?</b></p> <p>22 A. No, you're not, because the invoice might have</p> <p>23 terms different from the market price on that date.</p> <p>24 MS. GLYNN LEVIN: All I know is you are getting</p> <p>25 into some hypotheticals, and the question has been asked</p>

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<p>1 and answered, and I kind of feel like you are getting to</p> <p>2 the point where you are sort of badgering the witness</p> <p>3 here.</p> <p>4 MR. REYHANI: If your client would sort of</p> <p>5 answer the question, we wouldn't have to go down this</p> <p>6 road. It's a very simple question.</p> <p>7 MS. GLYNN LEVIN: The point is made. You are</p> <p>8 never going to convince him.</p> <p>9 MR. REYHANI: Ms. Glynn Levin, let me finish.</p> <p>10 MS. GLYNN LEVIN: It's Glynn Levin.</p> <p>11 MR. REYHANI: I'm not convincing him of</p> <p>12 anything. I'm asking a question. He's the chief</p> <p>13 executive officer of a company. He's the managing</p> <p>14 director of another company. He's got a lot of money,</p> <p>15 bitcoins on his hands. I'm asking a very basic question</p> <p>16 of a math major.</p> <p>17 BY MR. REYHANI:</p> <p>18 <b>Q. If you transfer a \$200 value bitcoin on</b></p> <p>19 <b>October 30th for an invoice that is worth \$100, are you</b></p> <p>20 <b>not paying double the amount of the invoice, simple as</b></p> <p>21 <b>that, yes or no?</b></p> <p>22 A. Okay, so, again, it depends on the invoice</p> <p>23 terms.</p> <p>24 <b>Q. Yes or no?</b></p> <p>25 A. It depends on the invoice terms, Mr. Reyhani.</p>	<p>1 <b>Q. I just think it might be helpful for you to --</b></p> <p>2 <b>I just think it might be helpful for you to have the</b></p> <p>3 <b>documents in front of you when you are answering these</b></p> <p>4 <b>questions.</b></p> <p>5 <b>Are you able to show on one of these documents</b></p> <p>6 <b>the transfer of the bitcoins from Alydian to CoinLab to</b></p> <p>7 <b>cover the invoices on October 30th?</b></p> <p>8 A. So the very first page, the top one.</p> <p>9 MS. GLYNN LEVIN: Which exhibit.</p> <p>10 THE WITNESS: Of Exhibit 9.</p> <p>11 BY MR. REYHANI:</p> <p>12 <b>Q. Yes.</b></p> <p>13 A. That's one of them. The second page, the top</p> <p>14 line, that's one of them. The fourth page, the top line,</p> <p>15 that's one of them.</p> <p>16 The fifth page, the 2BCT outs (Chk doc), the</p> <p>17 628.4 and 1000.0 in the top ten lines, those are they. I</p> <p>18 believe that's all of them.</p> <p>19 <b>Q. So it's my understanding, and you can correct</b></p> <p>20 <b>me if I'm wrong, that Alydian was utilizing, and I'm</b></p> <p>21 <b>going to use the short version, the bitcoin address at</b></p> <p>22 <b>1EGHVG as the address that it was mining, to which it was</b></p> <p>23 <b>mining bitcoins; is that correct?</b></p> <p>24 A. Are you identifying a bitcoin address in short</p> <p>25 form to me now? I really appreciate the convenience.</p>
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<p>1 So if the invoice is specified a certain -- like if you</p> <p>2 have a euro-denominated invoice and the euro moves</p> <p>3 around, the value of the invoice changes. It's the same</p> <p>4 thing.</p> <p>5 The price and the value of the invoice, of that</p> <p>6 invoice line item, were fixed on the date of purchase.</p> <p>7 So you can construct an imaginary scenario, which that's</p> <p>8 not the case, and we could imagine invoices which someone</p> <p>9 would only have to pay at a quarter of the bitcoin price,</p> <p>10 but that is not in fact what those invoices were. That's</p> <p>11 now how they're specified.</p> <p>12 So, you know, it is true that -- it is</p> <p>13 certainly true that if you could sell a bitcoin for \$200</p> <p>14 and use it to cover a \$100 liability, you should do that.</p> <p>15 That is certainly true.</p> <p>16 <b>Q. In document, in Exhibit 6 -- I don't know what</b></p> <p>17 <b>you guys can see because my screen is not up. In</b></p> <p>18 <b>Exhibit 6 that you produced or Exhibit 9, the billing --</b></p> <p>19 A. I'm sorry, say again. Exhibit 6?</p> <p>20 <b>Q. Exhibit 6 or Exhibit 9, whichever might be</b></p> <p>21 <b>easier for you to possibly handle the next set of</b></p> <p>22 <b>questions.</b></p> <p>23 <b>MS. GLYNN LEVIN: These two.</b></p> <p>24 THE WITNESS: I'm listening. Go ahead.</p> <p>25 BY MR. REYHANI:</p>	<p>1 MS. GLYNN LEVIN: Which page are you referring</p> <p>2 to? Are you referring to a document?</p> <p>3 THE WITNESS: He's saying page 5.</p> <p>4 MR. REYHANI: I didn't refer to any page.</p> <p>5 THE WITNESS: It's on page 5. I'm sorry, I was</p> <p>6 so appreciative of that easy way to refer to bitcoin</p> <p>7 addresses. You're saying 1EGHG -- 1EGHVG, that one?</p> <p>8 BY MR. REYHANI:</p> <p>9 <b>Q. Page 5.</b></p> <p>10 A. Yes.</p> <p>11 <b>Q. 1EGHVG. (Chk fig.</b></p> <p>12 <b>A. Sure.</b></p> <p>13 <b>Q. And at this point Alydian was mining, was solo</b></p> <p>14 <b>mining to this address, correct?</b></p> <p>15 A. At which point? I'm sorry.</p> <p>16 <b>Q. During all -- these mines, these VTC of 25 in</b></p> <p>17 <b>(Chk doc) the third column, that's Alydian mining</b></p> <p>18 <b>bitcoins, correct?</b></p> <p>19 A. That's correct.</p> <p>20 <b>Q. And Alydian wasn't doing this in a pool or</b></p> <p>21 <b>anything like that; Alydian was doing this by itself,</b></p> <p>22 <b>correct?</b></p> <p>23 A. It's possible it was also pool mining at the</p> <p>24 same time, but over the course of -- over the course of</p> <p>25 these -- you know, these 25 coin BTCN's (chk doc), as</p>

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<p>1 they're referred to on this report, are the result of</p> <p>2 solo mining by Alydian mining rigs.</p> <p>3 <b>Q. Okay. And it appears at the top on</b></p> <p>4 <b>November 8th that that's the last day that mining</b></p> <p>5 <b>occurred at this address. Does that appear correct?</b></p> <p>6 A. I believe -- yes, it looks like that way from</p> <p>7 this report, for sure.</p> <p>8 <b>Q. So if Alydian -- Alydian is currently mining</b></p> <p>9 <b>bitcoins, correct?</b></p> <p>10 A. That's correct.</p> <p>11 <b>Q. So what address is Alydian currently mining</b></p> <p>12 <b>bitcoins at instead of this 1EGH address?</b></p> <p>13 A. The page 6 has the address 18AQUBK, that one.</p> <p>14 That is the current mining address for Alydian (Chk doc).</p> <p>15 <b>Q. 18AQUB?</b></p> <p>16 A. Yes.</p> <p>17 <b>Q. So Alydian is not mining -- so the mining</b></p> <p>18 <b>equipment that was being utilized for the prior mining</b></p> <p>19 <b>address, 1EVGH, is that equipment still being used?</b></p> <p>20 A. Oh, yeah. You just point it over to the mining</p> <p>21 pool. It's a configuration change.</p> <p>22 <b>Q. So that equipment is now being used to the 18AQ</b></p> <p>23 <b>address, correct?</b></p> <p>24 A. That and more, yes, because we have deployed</p> <p>25 more equipment since then.</p>	<p>1 <b>account, correct?</b></p> <p>2 A. Yes, that's right.</p> <p>3 <b>Q. What was the purpose of the transfer of 2,325</b></p> <p>4 <b>bitcoins on that date into that 147BY7 address?</b></p> <p>5 A. There's a technical reason. Would you like me</p> <p>6 to explain it?</p> <p>7 <b>Q. Any reason you have is welcome.</b></p> <p>8 A. So when you -- bitcoin is not really designed</p> <p>9 to have multiple transactions in a single address. The</p> <p>10 way the protocol specified, it imagines that all money</p> <p>11 moves from one address to one or more new addresses, and</p> <p>12 so you -- the core bitcoin client and the historical way</p> <p>13 that bitcoin clients work, you don't reuse an address</p> <p>14 ever.</p> <p>15 Now, because of how it was conceived of,</p> <p>16 there's some operations in bitcoin that become more</p> <p>17 difficult to do, if you sort of abuse the chance of</p> <p>18 dumping a lot of transactions on a single address. And</p> <p>19 so we're cognizant that -- it's, you know, since the</p> <p>20 bitcoin, since the core -- since the bitcoin paper came</p> <p>21 out, you know, businesses, like Alydian, use, want to use</p> <p>22 bitcoin, and it's much, much harder to audit and keep</p> <p>23 track of coins if you are constantly choosing a new</p> <p>24 address for every transaction, and so as a matter of</p> <p>25 practice, for a lot of reasons, people tend to stick with</p>
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<p>1 <b>Q. So all is it fair to say that all of Alydian's,</b></p> <p>2 <b>all of the debtor's, mining rigs are mined to this 18AQ</b></p> <p>3 <b>address?</b></p> <p>4 A. I believe that's so. That's certainly the</p> <p>5 general operating plan.</p> <p>6 <b>Q. And on December 13th the debtor transferred</b></p> <p>7 <b>2,325 bitcoins from the 18AQ address into the 147BY7</b></p> <p>8 <b>address; is that correct?</b></p> <p>9 <b>MS. GLYNN LEVIN: Are you referring to a</b></p> <p>10 <b>particular line item on what page?</b></p> <p>11 THE WITNESS: Page 3.</p> <p>12 MS. SIMONYAN: Page 8.</p> <p>13 THE WITNESS: Oh, no. Page 8 or page 3.</p> <p>14 MS. SIMONYAN: It's 8.</p> <p>15 THE WITNESS: I guess you can see it on both</p> <p>16 places. Hold on. I'm on page 3. Let me go to 8.</p> <p>17 Yes, the other half of those is on page 3. You</p> <p>18 will see them in your own reports there. Do you see</p> <p>19 them?</p> <p>20 BY MR. REYHANI:</p> <p>21 <b>Q. You just need to speak up a little. I couldn't</b></p> <p>22 <b>hear what you are you were saying?</b></p> <p>23 A. The other half of those is on page 3, if you're</p> <p>24 looking for them.</p> <p>25 <b>Q. Okay, right, and they went into the 147B</b></p>	<p>1 one or a small number of addresses just like Alydian has.</p> <p>2 There's a weird thing that happens when you</p> <p>3 have too many what are called unspent outputs. So every</p> <p>4 time we mined at a pool, it would pay once we have five</p> <p>5 bitcoins paid out to us. And that's like a good amount</p> <p>6 of money to trust a pool server with. It's like right</p> <p>7 between 1,500 and five grand. So we wanted that money</p> <p>8 sent out, and you can see -- actually, you can see right</p> <p>9 up on page 8, leading up to this, that every few hours,</p> <p>10 4 hours, 3 hours, 2 hours, we're getting four, five grand</p> <p>11 from that pool server of people we've never met, right?</p> <p>12 So those all add up, and they make working with</p> <p>13 that address very difficult, and they add a cost to the</p> <p>14 rest of the bitcoin network. And so what you do to sort</p> <p>15 of solve that problem is you recombine outputs, it's</p> <p>16 called. So you make like a very large transaction, and</p> <p>17 you have to pay extra to the bitcoin network because you</p> <p>18 are like making some giant, giant transaction that pulls</p> <p>19 together all these little bitcoin transactions and puts</p> <p>20 them into one new output, and that keeps the clients like</p> <p>21 leaner and it helps everyone on the network. They don't</p> <p>22 have to deal with all these like large numbers of unspent</p> <p>23 outputs.</p> <p>24 So you can see then after that we upped the</p> <p>25 payouts to ten rather than five. That's in an attempt</p>

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<p>1 just to make sure that, you know, we don't have to do</p> <p>2 they recombining transactions that often, and, you know,</p> <p>3 we are probably due for another one, I would say, because</p> <p>4 we've got quite a few unspent outputs here.</p> <p>5 <b>Q. Hold on one second. Hold on. So the transfer</b></p> <p>6 <b>of the 2,325 bitcoins in layman's terms is to help clean</b></p> <p>7 <b>up the network?</b></p> <p>8 A. I'm sorry. The one that we're referring to on</p> <p>9 page 8 here?</p> <p>10 <b>Q. Either one. They're at 950, 950 and 425, the</b></p> <p>11 <b>three transfers --</b></p> <p>12 A. Yes.</p> <p>13 <b>Q. -- is to help --</b></p> <p>14 A. It's hygiene. Good bitcoin hygiene.</p> <p>15 <b>Q. Is that for your benefit or for the network's</b></p> <p>16 <b>benefit?</b></p> <p>17 A. Well, it benefits Alydian marginally because</p> <p>18 it's just it's quite hard to get secured tools that will</p> <p>19 deal with thousands and thousands of unspent outputs, and</p> <p>20 so like it's a pain and if you do want to be able to</p> <p>21 spend those coins, it is better, much better to have</p> <p>22 combined them, but it also helps the network as a whole.</p> <p>23 <b>Q. Okay. So let's stick with page 3. On the 13th</b></p> <p>24 <b>of December, Alydian -- hold on one second. So the</b></p> <p>25 <b>147BY7 is an Alydian address?</b></p>	<p>1 one, but those two payments are one for each invoice.</p> <p>2 You know Bryan I think you are going to find like you can</p> <p>3 argue this now, but December CoinLab took a big hit</p> <p>4 spending a thousand dollar bitcoins. Alydian is allowed</p> <p>5 to remit it whatever it is going to be six or \$700 coins.</p> <p>6 You know, I don't know. I mean this goes up and down.</p> <p>7 MS. GLYNN LEVIN: Wait for a question.</p> <p>8 THE WITNESS: I mean, I don't want everyone to</p> <p>9 waste their time worrying about this right now, they can</p> <p>10 spend the dep time how they want, I guess.</p> <p>11 BY MR. REYHANI:</p> <p>12 <b>Q. Did you consult with your bankruptcy counsel</b></p> <p>13 <b>before making those transactions?</b></p> <p>14 A. Which transaction?</p> <p>15 <b>Q. The two transfers out CoinLab on December 13th?</b></p> <p>16 A. No.</p> <p>17 <b>Q. You thought it was just okay to pay those bills</b></p> <p>18 <b>without consulting?</b></p> <p>19 A. It's a post-petition payment for a</p> <p>20 post-petition service agreement for hosting. Hosting and</p> <p>21 employees for Alydian. It seems legitimate to me.</p> <p>22 <b>Q. So an insider?</b></p> <p>23 A. Do you want the mining rigs running?</p> <p>24 MS. GLYNN LEVIN: Is there a question just a</p> <p>25 second.</p>
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<p>1 A. Yes.</p> <p>2 <b>Q. So further up that food chain, 4:58 PM, on the</b></p> <p>3 <b>13th of December?</b></p> <p>4 <b>MS. GLYNN LEVIN: What.</b></p> <p>5 THE WITNESS: The top two lines of page 3.</p> <p>6 BY MR. REYHANI:</p> <p>7 <b>Q. 167 bitcoins were transferred out to an address</b></p> <p>8 <b>1JKG. You don't see the address, but you see the 167.1</b></p> <p>9 <b>being transferred out, correct?</b></p> <p>10 A. Yes.</p> <p>11 <b>Q. Who controls the recipient address 1JKG that</b></p> <p>12 <b>received that 167 bitcoin?</b></p> <p>13 A. That is a CoinLab address.</p> <p>14 <b>Q. Alydian transferred 167 bitcoins to CoinLab.</b></p> <p>15 <b>What was the purpose of that transfer?</b></p> <p>16 A. To pay a November invoice.</p> <p>17 <b>Q. To pay the November invoice? Is that what you</b></p> <p>18 <b>said?</b></p> <p>19 A. I said to pay a November invoice.</p> <p>20 <b>Q. I'm sorry, I actually didn't hear you to pay?</b></p> <p>21 A. To pay a November invoice, yes, that's correct.</p> <p>22 <b>Q. How much was that invoice?</b></p> <p>23 A. I think you should have it in your discovery</p> <p>24 docs. There's a November 15th and a November 30th</p> <p>25 invoice. And those -- you haven't asked about the other</p>	<p>1 THE WITNESS: No, no.</p> <p>2 MS. GLYNN LEVIN: Is there a question?</p> <p>3 THE WITNESS: I want to hear what he imagines</p> <p>4 should be.</p> <p>5 MR. REYHANI: Did you consult with counsel.</p> <p>6 MS. GLYNN LEVIN: And he answered that</p> <p>7 question.</p> <p>8 THE WITNESS: I said no.</p> <p>9 MS. GLYNN LEVIN: He answered that question.</p> <p>10 MR. REYHANI: It just struck me as odd that he</p> <p>11 didn't consult with his attorney before transferring out</p> <p>12 almost \$400,000 worth of assets to an insider.</p> <p>13 MS. GLYNN LEVIN: A it's privileged and B I'm</p> <p>14 sorry that you think it's odd but there's no question on</p> <p>15 the table.</p> <p>16 MR. REYHANI: No it's not privileged because he</p> <p>17 said he didn't speak with you so there's nothing</p> <p>18 privileged about it.</p> <p>19 MS. GLYNN LEVIN: Well, whether someone.</p> <p>20 BY MR. REYHANI:</p> <p>21 <b>Q. Who did you speak to about the transfer of</b></p> <p>22 <b>these assets prior to doing it?</b></p> <p>23 A. Kelly Gates.</p> <p>24 <b>Q. That's it?</b></p> <p>25 A. I believe so.</p>

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<p>1 <b>Q. Did anyone negotiate the invoices on behalf of</b></p> <p>2 <b>Alydian?</b></p> <p>3 A. Negotiate the invoices on behalf of Alydian?</p> <p>4 What do you mean?</p> <p>5 <b>Q. Did anyone ask to see underlying bills to make</b></p> <p>6 <b>sure that the invoices from Alydian -- from CoinLab were</b></p> <p>7 <b>up to snuff?</b></p> <p>8 A. Like is CoinLab padding or stuffing the</p> <p>9 invoices or has anyone at Alydian checked if CoinLab is</p> <p>10 padding or stuffing the invoices? Is that what you're</p> <p>11 asking?</p> <p>12 <b>Q. I think your job as debtor of possession is to</b></p> <p>13 <b>maximize the creditors. Did anyone ask to look at the</b></p> <p>14 <b>underlying invoices?</b></p> <p>15 MR. TOWNSEND: Answer his questions.</p> <p>16 THE WITNESS: Did anyone ask to -- yes, of</p> <p>17 course. So Kelly checks all the invoices.</p> <p>18 BY MR. REYHANI:</p> <p>19 <b>Q. Kelly works for CoinLab, doesn't she?</b></p> <p>20 A. No, she works for Denali, and Denali works for</p> <p>21 both -- has contracts with both Alydian and CoinLab.</p> <p>22 <b>Q. So Kelly is issuing invoices on behalf of</b></p> <p>23 <b>CoinLab and approving them on behalf of Alydian?</b></p> <p>24 A. I would approve the final invoices on Alydian's</p> <p>25 behalf and the payment.</p>	<p>1 ruled that that was burdensome, overly burdensome. If</p> <p>2 there are some specific ones I'm happy to ask, have the</p> <p>3 bookkeeper extract those, but this was discussed at the</p> <p>4 motion to compel and I mean, for every invoice there are,</p> <p>5 you know, ranging anywhere from five to ten to sometimes</p> <p>6 many, many underlying invoices or for parts and the judge</p> <p>7 said that we were not required to turn those over, but</p> <p>8 I'm certainly happy, as I said, to turn over a sample so</p> <p>9 you can look at them make whatever conclusions you want</p> <p>10 to but I'm not going to turn over all of them. We were</p> <p>11 not ordered to do that.</p> <p>12 BY MR. REYHANI:</p> <p>13 <b>Q. Where in CoinLab files are the invoices stored?</b></p> <p>14 <b>Is it hard copy file cabinet that is sitting in Kelly's</b></p> <p>15 <b>office? Do you scan them and put them into an electronic</b></p> <p>16 <b>folder? How do you store them?</b></p> <p>17 A. So there are thousands and it would vary. Some</p> <p>18 vendors remit electronically, some on paper.</p> <p>19 <b>Q. Store items project are they sitting on one</b></p> <p>20 <b>person's local drive are they offer a server-S do you use</b></p> <p>21 <b>enclosed storage? How do you store documents on behalf</b></p> <p>22 <b>of the debtor and on behalf of CoinLab, assuming it's the</b></p> <p>23 <b>same process?</b></p> <p>24 A. Alydian's data -- Alydian doesn't have a lot of</p> <p>25 data storage. It would be just on computers mostly, I</p>
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<p>1 <b>Q. Did you look at the underlying invoices?</b></p> <p>2 A. Not all of them. I'd be happy to review the</p> <p>3 line by line invoices with you, if you'd like.</p> <p>4 <b>Q. Who negotiated the operating agreement on</b></p> <p>5 <b>behalf of CoinLab and on behalf of Alydian?</b></p> <p>6 A. I think we've already been through that. I</p> <p>7 signed both sides of that agreement.</p> <p>8 <b>Q. Anyone else -- was anyone else involved with</b></p> <p>9 <b>the -- was there any negotiation whatsoever between</b></p> <p>10 <b>CoinLab and Alydian at all?</b></p> <p>11 A. I'm not sure what would be negotiated there but</p> <p>12 we didn't have separate parties negotiating it.</p> <p>13 <b>Q. Where are the invoices for the underlying</b></p> <p>14 <b>purchases? Where do they reside?</b></p> <p>15 A. I'm sorry, which purchases are you referring</p> <p>16 to?</p> <p>17 <b>Q. Any purchase. CoinLab is invoicing Alydian and</b></p> <p>18 <b>is stating that X widget cost Y dollars. Where are those</b></p> <p>19 <b>invoices?</b></p> <p>20 A. The invoices that CoinLab presented to Alydian?</p> <p>21 <b>Q. The invoices that CoinLab received and was</b></p> <p>22 <b>charging Alydian for.</b></p> <p>23 A. Oh. They're in CoinLab files.</p> <p>24 <b>Q. We ask for those invoices to be produced?</b></p> <p>25 <b>MS. GLYNN LEVIN: Actually, the judge already</b></p>	<p>1 guess. Paper files for Alydian would be kept in Portland</p> <p>2 or in on Bainbridge island.</p> <p>3 <b>Q. Are all of the corporate documents or are</b></p> <p>4 <b>certain of the corporate documents, does everyone just</b></p> <p>5 <b>keep their own files locally or is there a central drive</b></p> <p>6 <b>that everybody can access corporate documents?</b></p> <p>7 A. Alydian, it doesn't really have the standard</p> <p>8 way of doing it. Some things might be shared on drop</p> <p>9 box, some might not. I don't know. I wouldn't say we</p> <p>10 have a standard way that Alydian does things.</p> <p>11 <b>Q. So just Alydian uses drop box to store their</b></p> <p>12 <b>files?</b></p> <p>13 A. I believe so. Some files.</p> <p>14 <b>Q. And you wouldn't use drop box unless you</b></p> <p>15 <b>thought it was secure, correct?</b></p> <p>16 A. Security is a range, Bryan. Could you ask me</p> <p>17 more about that? Or say more about that?</p> <p>18 <b>Q. You wouldn't put your company's documents at</b></p> <p>19 <b>risk if you thought they were being stored in an insecure</b></p> <p>20 <b>environment, correct?</b></p> <p>21 A. By security, what do you mean? Do you mean</p> <p>22 secure from theft, from loss, from damage, from being</p> <p>23 stolen, being read by others?</p> <p>24 <b>Q. Are we really going to get into semantics about</b></p> <p>25 <b>security?</b></p>

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<p>1 A. Why are you asking about drop box and security</p> <p>2 then? Do you want to know -- I mean.</p> <p>3 MS. GLYNN LEVIN: Just answer the question.</p> <p>4 BY MR. REYHANI:</p> <p>5 <b>Q. Do you store your documents on drop box?</b></p> <p>6 A. Alydian stores some of its documents on drop</p> <p>7 box and I believe that drop box's security is suffer for</p> <p>8 those documents which Alydian stores there.</p> <p>9 <b>Q. And does CoinLab utilize drop box too?</b></p> <p>10 A. I don't think we're talking about CoinLab.</p> <p>11 MS. GLYNN LEVIN: Objection.</p> <p>12 BY MR. REYHANI:</p> <p>13 <b>Q. Does Katie use dropbox for her functions as the</b></p> <p>14 <b>Alydian bookkeeper and the CoinLab bookkeeper?</b></p> <p>15 A. I don't know who Katie is.</p> <p>16 <b>Q. Who is the bookkeeper?</b></p> <p>17 A. Kelly Gates.</p> <p>18 <b>Q. Does Kelly use drop box for the storage of</b></p> <p>19 <b>documents relating to Alydian and CoinLab?</b></p> <p>20 A. She may use drop box for Alydian files. I'm</p> <p>21 not sure. She certainly accesses old files, old Alydian</p> <p>22 files on drop box. I'm not sure if she's in the habit of</p> <p>23 storing new ones there or not. I'd like a bathroom</p> <p>24 break.</p> <p>25 <b>Q. Okay, you can take five minutes.</b></p>	<p>1 guess is the title.</p> <p>2 <b>Q. And when was the first time you saw this</b></p> <p>3 <b>document?</b></p> <p>4 A. Probably August 29th, I would imagine.</p> <p>5 <b>Q. Did you discuss this document with anyone?</b></p> <p>6 A. Yes.</p> <p>7 <b>Q. Who?</b></p> <p>8 A. Brian Cartmell. Jodie brady.</p> <p>9 <b>Q. Who was the second person?</b></p> <p>10 A. Jodie brady. Joel Yarmon.</p> <p>11 <b>Q. Anyone else, or is that it?</b></p> <p>12 A. I don't recall anyone else.</p> <p>13 <b>Q. What did you discuss with Jodie Brady about</b></p> <p>14 <b>this document?</b></p> <p>15 A. Whether or not we should sign it. If we felt</p> <p>16 it was a better offer than the Crystal Island offer.</p> <p>17 <b>Q. What did Jodie Brady say to you about this?</b></p> <p>18 A. She felt that we probably should just have shut</p> <p>19 Alydian down just right then, but that this offer was</p> <p>20 certainly better than the other offers we had.</p> <p>21 <b>Q. And you discussed this document with Joel</b></p> <p>22 <b>Yarmon, too, you just said?</b></p> <p>23 A. Yes.</p> <p>24 <b>Q. What did you discuss with Mr. Yarmon about this</b></p> <p>25 <b>document?</b></p>
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<p>1 A. I will be right back.</p> <p>2 (A break was taken from</p> <p>3 3:35 p.m. to 3:37 p.m.)</p> <p>4 MR. REYHANI: We're back on the record. If</p> <p>5 Tereza would be kind off enough to circulate the XRAY</p> <p>6 loan agreement as our next exhibit.</p> <p>7 (Exhibit No. 12 marked.)</p> <p>8 BY MR. REYHANI:</p> <p>9 <b>Q. Have you seen this document before, Mr.</b></p> <p>10 <b>Vessenes?</b></p> <p>11 A. Yes.</p> <p>12 <b>Q. And just for the record, this is a document</b></p> <p>13 <b>that has been represented as a loan agreement of bitcoins</b></p> <p>14 <b>from XRAY to CLI doing business as Alydian dated</b></p> <p>15 <b>apparently August 29, 2013. It's Bates stamped CLI</b></p> <p>16 <b>Chapter 11 00028 through 00029. When was the first time?</b></p> <p>17 <b>MS. GLYNN LEVIN: And just a second and who</b></p> <p>18 <b>made the representation as to what it was? Where do you</b></p> <p>19 <b>have that? What are you referring to?</b></p> <p>20 MR. REYHANI: I believe Mr. Vessenes has made</p> <p>21 that representation before, but we could ask Mr.</p> <p>22 Vessenes.</p> <p>23 BY MR. REYHANI:</p> <p>24 <b>Q. What does this document represent?</b></p> <p>25 A. I would call it a capitalization summary I</p>	<p>1 A. Whether we should sign it.</p> <p>2 <b>Q. What did he say?</b></p> <p>3 A. I think he like Jodie was 50/50. I think he</p> <p>4 thought it was a long shot to take any money on to do</p> <p>5 this, but that if it capped CoinLab's further liabilities</p> <p>6 for the project, he was into it.</p> <p>7 <b>Q. Who drafted this document?</b></p> <p>8 A. I did.</p> <p>9 <b>Q. Where did you draft it?</b></p> <p>10 A. On my computer. I don't know.</p> <p>11 <b>Q. Your home computer, your work computer? Do you</b></p> <p>12 <b>have one computer?</b></p> <p>13 A. I drafted it on a work computer.</p> <p>14 <b>Q. Did you store it locally or in the cloud?</b></p> <p>15 A. I don't recall.</p> <p>16 <b>Q. Where do you tend to store your documents?</b></p> <p>17 A. It varies.</p> <p>18 <b>Q. It varies on what?</b></p> <p>19 A. I don't know how to answer. Some documents</p> <p>20 would be stored on the cloud and some would be on my hard</p> <p>21 drive.</p> <p>22 <b>Q. I notice some handwriting on this document.</b></p> <p>23 <b>Whose handwriting is on the top right corner that says</b></p> <p>24 <b>file, please, Cartmell in quotes?</b></p> <p>25 A. I don't know.</p>

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<p>1 <b>Q. Is your handwriting?</b></p> <p>2 A. No.</p> <p>3 <b>Q. Who else would have access to this document</b></p> <p>4 <b>that would be filing it?</b></p> <p>5 A. It could be -- I don't know. It could have</p> <p>6 been my assistant. Someone on the legal staff. It could</p> <p>7 have been Jodie Brady.</p> <p>8 <b>Q. Who is your assistant?</b></p> <p>9 A. Her name is Mary.</p> <p>10 <b>Q. Mary what?</b></p> <p>11 A. Phillips.</p> <p>12 <b>Q. Is she still your assistant?</b></p> <p>13 A. Yes.</p> <p>14 <b>Q. What is her email address?</b></p> <p>15 A. Mary at coin lab.com.</p> <p>16 <b>Q. And do you have her telephone number?</b></p> <p>17 A. Not on me.</p> <p>18 <b>Q. You don't know your own assistant's phone</b></p> <p>19 <b>number?</b></p> <p>20 A. I store it all on my phone.</p> <p>21 <b>Q. How long has she been your assistant for?</b></p> <p>22 A. Oh, I don't know. I'm not sure. Maybe a year,</p> <p>23 give or take.</p> <p>24 <b>Q. We're going to request her contact information</b></p> <p>25 <b>as well at the conclusion of this examination.</b></p>	<p>1 <b>typewritten name?</b></p> <p>2 A. Yes.</p> <p>3 <b>Q. Above Brian Cartmell, is that his signature?</b></p> <p>4 A. He told me that it was.</p> <p>5 <b>Q. How did he tell you that it was?</b></p> <p>6 A. He sent back this document and said here's a</p> <p>7 signed version of it.</p> <p>8 <b>Q. How did he transmit the document to you?</b></p> <p>9 A. I think over email, but I don't recall.</p> <p>10 <b>Q. So there's email correspondence that relates to</b></p> <p>11 <b>the transmission of this document?</b></p> <p>12 <b>MS. GLYNN LEVIN: Asked and answered. He said</b></p> <p>13 <b>he did not know.</b></p> <p>14 <b>MR. REYHANI: That's not what he said.</b></p> <p>15 <b>BY MR. REYHANI:</b></p> <p>16 <b>Q. Is there email transmission correspondence --</b></p> <p>17 <b>MS. GLYNN LEVIN: He said I think it was email.</b></p> <p>18 <b>I don't know.</b></p> <p>19 <b>MR. REYHANI: I'm asking him again.</b></p> <p>20 <b>BY MR. REYHANI:</b></p> <p>21 <b>Q. Do you recall how this was transmitted to Mr.</b></p> <p>22 <b>Cartmell to and from?</b></p> <p>23 A. No. But like I said.</p> <p>24 <b>Q. Where were you?</b></p> <p>25 A. Go ahead.</p>
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<p>1 <b>So you don't know whose handwriting is that.</b></p> <p>2 <b>On the bottom right corner, it says there's some initials</b></p> <p>3 <b>and a date. Whose handwriting is that?</b></p> <p>4 A. I don't know.</p> <p>5 <b>Q. XRAY is providing to the debtor in the form of</b></p> <p>6 <b>a capital call, purported capital call and debt</b></p> <p>7 <b>structure, 12,535 bitcoins, and you don't know whose</b></p> <p>8 <b>initials are on the bottom right corner of this page?</b></p> <p>9 A. You asked me whose handwriting that was. I</p> <p>10 believe that's Brian Cartmell's initials.</p> <p>11 <b>MS. GLYNN LEVIN: Only if you know.</b></p> <p>12 <b>BY MR. REYHANI:</b></p> <p>13 <b>Q. Is that Brian Cartmell's handwriting?</b></p> <p>14 <b>MS. GLYNN LEVIN: Oh, please.</b></p> <p>15 <b>THE WITNESS: I couldn't say for sure.</b></p> <p>16 <b>MS. GLYNN LEVIN: Objection. He cannot say</b></p> <p>17 <b>whose handwriting it is. (Chk doc).</b></p> <p>18 <b>MS. SIMONYAN: If he knows, why not.</b></p> <p>19 <b>MS. GLYNN LEVIN: If he saw him write it, but</b></p> <p>20 <b>he has testified he doesn't know who wrote it.</b></p> <p>21 <b>BY MR. REYHANI:</b></p> <p>22 <b>Q. Did you see Brian Cartmell write that?</b></p> <p>23 A. No.</p> <p>24 <b>Q. Let's turn to the second page. Is that your</b></p> <p>25 <b>signature in the two signature blocks above your</b></p>	<p>1 <b>MR. TOWNSEND: Did you finish your answer.</b></p> <p>2 <b>BY MR. REYHANI:</b></p> <p>3 <b>Q. Where were you when you signed this?</b></p> <p>4 A. I was on Bainbridge island Washington.</p> <p>5 <b>Q. And where was Mr. Cartmell?</b></p> <p>6 A. I don't know.</p> <p>7 <b>Q. Was Mr. Cartmell in the states?</b></p> <p>8 A. I don't know. I don't know where he was.</p> <p>9 <b>Q. Was he in New Zealand?</b></p> <p>10 A. How many times would you like me to say it. I</p> <p>11 don't know where he was.</p> <p>12 <b>Q. I'm just curious if it was signed on</b></p> <p>13 <b>August 29th in the United States time or in August 29th</b></p> <p>14 <b>New Zealand time?</b></p> <p>15 <b>MS. GLYNN LEVIN: And what is the reason for</b></p> <p>16 <b>this, because -- what is reason for knowing this? It is</b></p> <p>17 <b>signed on a date. It doesn't even actually say signed.</b></p> <p>18 <b>August 29th it is handwritten. But what is the reason?</b></p> <p>19 <b>Help us explain. Help us understand this, because I</b></p> <p>20 <b>don't understand.</b></p> <p>21 <b>MR. REYHANI: I think you need to talk to your</b></p> <p>22 <b>client, then, if you don't understand the importance of a</b></p> <p>23 <b>document wherein the debtor is taking on a</b></p> <p>24 <b>12,300-something bitcoin loan from an individual who is</b></p> <p>25 <b>sometimes located halfway around the world. I think it's</b></p>

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<p>1 kind of important to make sure that there's no funny 2 business going on between a debtor and the 35 percent 3 equity holder in the company. 4 MS. GLYNN LEVIN: We have not made any claim 5 that there is any funny business. You have. So why 6 should my client be concerned about that? If you want to 7 ask if there's any funny business, then ask him that, do 8 you know if there is any funny business, and he will tell 9 you yes or no. You can ask Mr. Cartmell. 10 You are asking where people work, whether they 11 were standing. I just -- I personally don't get it, and 12 I'm about to say we should end this line of questioning 13 and move on to the next. 14 MR. REYHANI: Okay, well, you can do what you 15 want. My questions are completely valid and I think you 16 know who signed the actual loan agreement where they were 17 and how it was transmitted are relevant questions. You 18 can disagree all to your heart's content. 19 MS. GLYNN LEVIN: I think those questions have 20 been answered. 21 BY MR. REYHANI: 22 <b>Q. So ultimately the debtor received 10,000</b> 23 <b>bitcoins from XRAY on August 31st at the address</b> 24 <b>beginning GZYCY, correct, 1GZYCY?</b> 25 A. I don't know what date off the top of my head I</p>	<p>1 <b>MS. GLYNN LEVIN: If you know. Personal</b> 2 <b>knowledge.</b> 3 THE WITNESS: I don't know. He spent -- 4 MR. REYHANI: I asked him his recollection. 5 You don't need to interrupt every question. 6 MS. GLYNN LEVIN: You asked him did Daniel do 7 this, did Daniel do that. That's not within his personal 8 knowledge. So yeah I need to object. So you got to ask 9 what this debtor knows. 10 MR. REYHANI: Ms. Glynn Levin, please I'm 11 asking you -- I'm extending to you a professional 12 courtesy. Don't embarrass yourself. Mr. Gallancy had 13 personal conversations and meetings with members of Mr. 14 Vessenes and his team. Of course he's got personal 15 knowledge about it. He may not recall, that's fine, but 16 don't sit here and say he doesn't have personal 17 knowledge. 18 MR. TOWNSEND: I think it's a semantic thing. I 19 think you answered the question about what the intent of 20 Mr. Gallancy's actions were, and so I think that's where 21 the pause came, not whether or not it was -- 22 MR. REYHANI: I just said did he conduct, did 23 he conduct due diligence of the debtor. 24 MR. TOWNSEND: That's not what you said, but 25 that's a fine question.</p>
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<p>1 received them, but yes 10,000. 2 <b>Q. Look at -- you could look at refer to Exhibit 9</b> 3 <b>to assist you.</b> 4 A. 10,000 coins were sent to 1GZY. 5 <b>Q. And the debtor you stated already elected to go</b> 6 <b>with the XRAY loan because the terms were better than the</b> 7 <b>moneys to be received from Crystal Island?</b> 8 A. Yes. 9 <b>Q. Okay. And Daniel Gallancy, he conducted due</b> 10 <b>diligence to determine if Crystal Island should provide</b> 11 <b>the moneys that the debtor was seeking at that time,</b> 12 <b>correct?</b> 13 <b>MS. GLYNN LEVIN: If you know.</b> 14 THE WITNESS: I don't understand that question. 15 Say it again. 16 BY MR. REYHANI: 17 <b>Q. Did Mr. Gallancy conduct due diligence?</b> 18 <b>MS. GLYNN LEVIN: If you know.</b> 19 BY MR. REYHANI: 20 <b>Q. In an effort for the debtor to possibly procure</b> 21 <b>moneys from Crystal Island?</b> 22 A. Yes. 23 <b>Q. And he spent -- based upon your recollection,</b> 24 <b>did he spend a couple of weeks conducting such due</b> 25 <b>diligence?</b></p>	<p>1 THE WITNESS: Yes, he did conduct due 2 diligence. 3 BY MR. REYHANI: 4 <b>Q. And you and other members of your staff</b> 5 <b>answered questions that Mr. Gallancy posed in general?</b> 6 A. Yes. 7 <b>Q. And he was able to look at the equipment and</b> 8 <b>just get a thorough understanding as a to the debtor,</b> 9 <b>correct?</b> 10 A. That's what he said, yes. That's what he told 11 us. 12 <b>Q. And but you elected not to take the capital</b> 13 <b>from Crystal Island but you took it from XRAY because the</b> 14 <b>terms were better to the debtor, correct?</b> 15 A. That's correct. They were better for everyone, 16 actually. 17 <b>Q. Okay. But that was the debtor's decision I</b> 18 <b>mean the shareholders could have still benefited from Mr.</b> 19 <b>Gallancy's due diligence work, correct?</b> 20 A. Shareholders could have benefited from Mr. 21 Gallancy's what, from his due diligence? I'm not sure. 22 <b>Q. Yes?</b> 23 A. I'm not sure I understand how. 24 <b>Q. If the debtor accepted the money and the money</b> 25 <b>was utilized for mining rigs or whatever the money would</b></p>

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<p>1 <b>have been utilized for the shareholder could have</b></p> <p>2 <b>benefited from such moneys, correct?</b></p> <p>3 A. Well, I think actually in point of fact no.</p> <p>4 This project was a loser and more money would have just</p> <p>5 made it worse. So no, I don't believe that additional</p> <p>6 moneys would have benefited Alydian.</p> <p>7 <b>Q. If Alydian put more mining rigs to work earlier</b></p> <p>8 <b>on in the process with the moneys from Crystal Island,</b></p> <p>9 <b>would the shareholders not have benefited from the</b></p> <p>10 <b>increase in?</b></p> <p>11 A. Who he who he. Start with can you break that</p> <p>12 way down? That's like this huge set of hypotheticals.</p> <p>13 <b>Q. It's a single question. If valued put the</b></p> <p>14 <b>moneys to work from Crystal Island to mine bitcoins at</b></p> <p>15 <b>the time bitcoins were trading lower in price would that</b></p> <p>16 <b>not have been to the benefit of the shareholders?</b></p> <p>17 <b>MS. GLYNN LEVIN: You can say I'm basing myself</b></p> <p>18 <b>or whatever, but this is about litigation and our 2004</b></p> <p>19 <b>exam is about your client's claims against the estate and</b></p> <p>20 <b>the estate and its assets. What you are talking about is</b></p> <p>21 <b>some contract interpretation stuff. If you want to -- if</b></p> <p>22 <b>you want if we're going to deal with claims objection and</b></p> <p>23 <b>litigation, fine we can do that under the federal rules,</b></p> <p>24 <b>but you are outside the scope of 2004.</b></p> <p>25 MR. REYHANI: Actually I don't think I'm</p>	<p>1 what the rule says.</p> <p>2 MS. GLYNN LEVIN: That may be and right now I'm</p> <p>3 here predicting my client and his time and this is the</p> <p>4 end of this line of questioning. We're not going to be</p> <p>5 talking about Crystal Island. Crystal Island is not in</p> <p>6 this case. If there's litigation go ahead and file it</p> <p>7 but we don't have that before us today.</p> <p>8 MS. SIMONYAN: Are you instructing your client</p> <p>9 not to answer questions about the administration.</p> <p>10 MS. GLYNN LEVIN: No, he can talk about the</p> <p>11 administration.</p> <p>12 MS. SIMONYAN: Of the bankruptcy estate.</p> <p>13 MS. GLYNN LEVIN: Of this estate which started</p> <p>14 on November 1st and you are talking about October 29,</p> <p>15 2013.</p> <p>16 THE WITNESS: August 29th.</p> <p>17 MS. GLYNN LEVIN: Or August, in that area. So</p> <p>18 let's get back to 2004.</p> <p>19 MS. SIMONYAN: You are looking and citing from</p> <p>20 the document.</p> <p>21 MS. GLYNN LEVIN: I am talking to him.</p> <p>22 MS. SIMONYAN: Well talk to me, because I'm</p> <p>23 sitting here representing my client. Talk to me now and</p> <p>24 then you can turn and talk to him. Your client has two</p> <p>25 attorneys sitting here and making objections on his</p>
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<p>1 outside the scope of 2004.</p> <p>2 MS. GLYNN LEVIN: You are not a bankruptcy</p> <p>3 lawyer my friend and when you become one you will</p> <p>4 understand what the scope of 2004 is.</p> <p>5 MR. REYHANI: So you're right and I guess we're</p> <p>6 friends, but let's see, the scope of examination on the</p> <p>7 2004 under debtor under this rule may relate to the acts,</p> <p>8 conduct or property or as to the liability and financial</p> <p>9 condition of the debtor or any matter which may affect</p> <p>10 the administration of the debtor's estate or the debtor's</p> <p>11 right to discharge and under eleven it has to go with</p> <p>12 anything consummation of a plan consideration and in</p> <p>13 other relevant matter of the case or to the formulation</p> <p>14 of a plan. (Chk doc).</p> <p>15 So I think moneys that were presented to the</p> <p>16 debtor that could have been utilized for mining rigs is</p> <p>17 certainly relevant to the consideration or formulation of</p> <p>18 a plan.</p> <p>19 MS. GLYNN LEVIN: No it has to do sir with your</p> <p>20 contract and whether in your client's claims certain</p> <p>21 contracts were or were not consummated and the debtor's</p> <p>22 decision to go forward with a different kind of</p> <p>23 investment and different kind of investor. That is not</p> <p>24 2004 material. That's the basis.</p> <p>25 MR. REYHANI: That's your opinion. That's not</p>	<p>1 behalf. I think you are in no position to object to two</p> <p>2 attorneys representing the --</p> <p>3 MS. GLYNN LEVIN: It's one or the other. It's</p> <p>4 either Bryan or you.</p> <p>5 MS. SIMONYAN: According to gospel by Deirdre?</p> <p>6 You cannot make these statements without any authority.</p> <p>7 You cannot make these statements and make --</p> <p>8 MS. GLYNN LEVIN: Tereza, check your rules.</p> <p>9 One lawyer per client.</p> <p>10 MS. SIMONYAN: Accordingly to what rule? I</p> <p>11 want to check the rule. Tell me the rule. I want to</p> <p>12 check the rule, and if that's the case, what is Mr.</p> <p>13 Townsend doing here?</p> <p>14 MS. GLYNN LEVIN: He's representing a different</p> <p>15 party, which is also a creditor.</p> <p>16 MS. SIMONYAN: It's not the examination of a</p> <p>17 different party.</p> <p>18 MS. GLYNN LEVIN: Are there any more questions,</p> <p>19 Bryan? Are there more questions?</p> <p>20 MS. SIMONYAN: There is a question on the</p> <p>21 table. Are you instructing your client not to answer</p> <p>22 questions about documents that underlie claims?</p> <p>23 MS. GLYNN LEVIN: Which document?</p> <p>24 MS. SIMONYAN: The documents that you were</p> <p>25 reading from a moment ago.</p>

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<p>1 THE WITNESS: That's not what he was asking</p> <p>2 about.</p> <p>3 MS. GLYNN LEVIN: No, we're not talking about</p> <p>4 documents. This has to do -- he's talking about Crystal</p> <p>5 Island. I don't see anything about Crystal Island on</p> <p>6 this page.</p> <p>7 MS. SIMONYAN: Could you read back the last</p> <p>8 question, please?</p> <p>9 MS. GLYNN LEVIN: If you want to talk about</p> <p>10 Crystal Island, then let's see the Crystal Island</p> <p>11 documents and we'll see if it's relevant.</p> <p>12 MR. REYHANI: Ms. Glynn Levin, your client</p> <p>13 refers to Crystal Island in his own declarations. I was</p> <p>14 just making a point that had the debtor utilized those</p> <p>15 moneys.</p> <p>16 MS. GLYNN LEVIN: Well, then make the point in</p> <p>17 court if you think it's important. If you think it is</p> <p>18 going to get you somewhere, you can go ahead and make</p> <p>19 that point in court, or start some litigation.</p> <p>20 MR. REYHANI: Your client doesn't need any more</p> <p>21 litigation. We're asking a question. I was asking a</p> <p>22 question as to whether the shareholders would have</p> <p>23 benefited had they accepted the money. That was it.</p> <p>24 MS. GLYNN LEVIN: The shareholders of what?</p> <p>25 MR. REYHANI: Alydian.</p>	<p>1 <b>Q. Couldn't they have? Yes, couldn't they have.</b></p> <p>2 A. Is that any different from would they have? Is</p> <p>3 there a reason you corrected would to a could. I'm not</p> <p>4 sure I understand. I just want to hear your question.</p> <p>5 Couldn't the Alydian shareholders have benefited from</p> <p>6 crystal island's money? Is that your question?</p> <p>7 <b>Q. Yes.</b></p> <p>8 A. The answer is no.</p> <p>9 <b>Q. Okay. If the debtor put those moneys to work</b></p> <p>10 <b>and were mining with such moneys, wouldn't the</b></p> <p>11 <b>shareholders have benefited from the increase in bitcoin</b></p> <p>12 <b>price from one hundred to \$900 in the interim?</b></p> <p>13 <b>MS. GLYNN LEVIN: Oh my God, objection,</b></p> <p>14 <b>speculative.</b></p> <p>15 THE WITNESS: No, because crystal.</p> <p>16 BY MR. REYHANI:</p> <p>17 <b>Q. We'll move on since this seals to be such a</b></p> <p>18 <b>difficult question for the debtor to answer?</b></p> <p>19 <b>MS. GLYNN LEVIN: Let's get to it. Let's find</b></p> <p>20 <b>out about his claim. Let's find out about his claim in</b></p> <p>21 <b>the bankruptcy. This is not even a -- Cedar Mill is not</b></p> <p>22 <b>a party in interest. Did you represent that entity, too?</b></p> <p>23 <b>Or Crystal Island is not a party in interest here. So</b></p> <p>24 <b>I'm totally perplexed.</b></p> <p>25 MR. REYHANI: I don't know what you're talking</p>
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<p>1 THE WITNESS: What does this have to do with</p> <p>2 putting a go forward plan together? Can you explain that</p> <p>3 to me Bryan is there money on the table for Alydian</p> <p>4 possibly as part of a restructuring? I'm just trying to</p> <p>5 understand.</p> <p>6 MR. REYHANI: I'm going to ask counsel again to</p> <p>7 direct their client to just answer the questions and stop</p> <p>8 asking questions, and I'd like to note for the record</p> <p>9 that Mr. Vessenes is knitting again during the course of</p> <p>10 this testimony.</p> <p>11 THE WITNESS: I was waiting for the lawyers to</p> <p>12 argue it out but I'll stop, that's fine.</p> <p>13 MR. TOWNSEND: If you don't understand the</p> <p>14 question, you can ask questions about it Peter.</p> <p>15 THE WITNESS: So what is your question, Bryan?</p> <p>16 BY MR. REYHANI:</p> <p>17 <b>Q. Couldn't the shareholder have benefited from</b></p> <p>18 <b>crystal island's moneys?</b></p> <p>19 MR. TOWNSEND: Objection calls for speculation.</p> <p>20 THE WITNESS: The shareholders of Alydian?</p> <p>21 BY MR. REYHANI:</p> <p>22 <b>Q. You can answer the question.</b></p> <p>23 A. So would the shareholders of Alydian have</p> <p>24 benefited from Crystal Island money? Is that your</p> <p>25 question? I just want to understand.</p>	<p>1 about. Your client had a fiduciary duty to act in the</p> <p>2 best interest of shareholders and to attempt to do what</p> <p>3 was necessary to form on contracts. Your client the</p> <p>4 debtor -- excuse me, let me finish.</p> <p>5 MS. GLYNN LEVIN: Go ahead.</p> <p>6 MR. REYHANI: Your client elected to -- thank</p> <p>7 you. Your client elected to reject certain moneys</p> <p>8 because they thought certain terms were better. My</p> <p>9 question merely asked couldn't it have benefited the</p> <p>10 shareholders, the customers, whoever it may be, for the</p> <p>11 debtor to have accepted those moneys, mined with those</p> <p>12 moneys and received the benefits of an \$800 price</p> <p>13 increase in bitcoin in the interim. That was it. It's</p> <p>14 not that complicated a question, but if we can't answer</p> <p>15 that question, we'll move on.</p> <p>16 MS. GLYNN LEVIN: No, no don't answer that.</p> <p>17 Move on. Outside the scope and not relevant. So go</p> <p>18 ahead and move on.</p> <p>19 MR. REYHANI: Our interpretation of what is</p> <p>20 relevant to the debtor in bankruptcy is obviously far</p> <p>21 afield.</p> <p>22 MS. GLYNN LEVIN: I guess so.</p> <p>23 BY MR. REYHANI:</p> <p>24 <b>Q. So Alydian also received in addition to ten</b></p> <p>25 <b>thousand bitcoins Alydian received 2,535 bitcoins on</b></p>

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<p>1 <b>August 31st at the 14PXFR (chk doc) account; is that</b></p> <p>2 <b>correct?</b></p> <p>3 A. Sorry. Just one moment. Those were not</p> <p>4 received on August 31st most likely. Did you generate --</p> <p>5 if you generated this report with block chain, it will be</p> <p>6 using GMT time, and we're Pacific time, so we're many</p> <p>7 hours behind. So it's likely August 30th.</p> <p>8 <b>Q. Okay. Let's use the 30th. Did Alydian receive</b></p> <p>9 <b>2,535 bitcoins at address 14PXFR?</b></p> <p>10 A. Yes.</p> <p>11 <b>Q. And that is currently an Alydian controlled</b></p> <p>12 <b>address?</b></p> <p>13 A. Yes.</p> <p>14 <b>Q. 14 PXFR?</b></p> <p>15 A. It has always been an Alydian address.</p> <p>16 <b>Q. Can you show me -- well, maybe it's in the</b></p> <p>17 <b>thousands. If you are going to tell me if it's in the</b></p> <p>18 <b>thousand-page document, then so be it. Is the 14 PXFR in</b></p> <p>19 <b>address noted in Exhibit 6, which is the 27 page document</b></p> <p>20 <b>that is supposed to list all the Alydian addresses?</b></p> <p>21 A. I did not see this there. Well, that document</p> <p>22 does not list purport to list all Alydian address. It is</p> <p>23 a list of transactions that we previously generated and</p> <p>24 included as part of the discovery, but I did not see it</p> <p>25 in there.</p>	<p>1 MR. TOWNSEND: Yes.</p> <p>2 THE WITNESS: All right, pass it over. Shoot,</p> <p>3 I lost it. Hold on. Where is it? 180 divided by 13,000</p> <p>4 is 1.38 percent, I guess.</p> <p>5 BY MR. REYHANI:</p> <p>6 <b>Q. Okay, so --</b></p> <p>7 A. But you should -- but you should know -- let me</p> <p>8 qualify that, because however many mining systems are</p> <p>9 mining right now, and you can get various estimates on</p> <p>10 that, all miners earn at a rate based on the last, the</p> <p>11 most recent difficulty change from the bitcoin network.</p> <p>12 And so if you're -- you know, if you want to</p> <p>13 determine what percent of bitcoins are being mined by</p> <p>14 you, you have got to be careful when you are doing the</p> <p>15 math to distinguish between how many rigs are mining</p> <p>16 right now and what the bitcoin network difficulty is.</p> <p>17 They're different numbers.</p> <p>18 <b>Q. I understand. So Alydian is generating, I</b></p> <p>19 <b>think you said before, somewhere between 60 and 75</b></p> <p>20 <b>bitcoins a day for the time being?</b></p> <p>21 A. Sure.</p> <p>22 <b>Q. So at around 900 bucks a coin, Alydian could</b></p> <p>23 <b>generate and sell those bitcoins and have a daily revenue</b></p> <p>24 <b>of greater than \$54,000, approximately?</b></p> <p>25 A. I think we just said bitcoins are at 800. The</p>
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<p>1 <b>Q. So according to your declarations, we have</b></p> <p>2 <b>gone -- the number has fluctuated a little bit today, but</b></p> <p>3 <b>Alydian at max capacity would have 36 mining rigs running</b></p> <p>4 <b>in around 5.9 (chk fig) terahashes per system for a total</b></p> <p>5 <b>of a little bit more than 212 terahashes, correct?</b></p> <p>6 A. That was an earlier declaration. I think that</p> <p>7 the final numbers are likely to be less than that.</p> <p>8 Closer to 200.</p> <p>9 <b>Q. Okay. We can use 200, that's fine.</b></p> <p>10 <b>And would you agree with me that the hash rate</b></p> <p>11 <b>around now is about 13,000 terahashes, a little under?</b></p> <p>12 A. I don't know. I think in terms of bitcoin</p> <p>13 difficulty. The difficulty is at 1.4 billion, currently.</p> <p>14 So that probably corresponds roughly to what you are</p> <p>15 discussing.</p> <p>16 <b>Q. So at the current hash rate, Alydian's rigs</b></p> <p>17 <b>constitute about 1.66 percent of the total network hash</b></p> <p>18 <b>rate? Would you agree with me on that point?</b></p> <p>19 A. No. We are currently mining 175 to 180</p> <p>20 terahashes.</p> <p>21 <b>Q. 1.5?</b></p> <p>22 A. I don't know. You want me to divide 180 by</p> <p>23 what? 13,000?</p> <p>24 <b>Q. 13,000, or actually 12,480 to be more precise.</b></p> <p>25 A. Do you guys have a calculator?</p>	<p>1 revenue number varies a lot day by day, but 70 times 800</p> <p>2 is 56,000, 50,000, 55.</p> <p>3 <b>Q. We're just using round numbers right now. 56,</b></p> <p>4 <b>55, 54, I don't really care. We will use \$55,000.</b></p> <p>5 <b>So if Alydian is generating \$5,000 a day, that</b></p> <p>6 <b>equates to approximately 1.6 million over the course of a</b></p> <p>7 <b>month?</b></p> <p>8 A. Hold on.</p> <p>9 MR. TOWNSEND: The question is about the top</p> <p>10 line revenue?</p> <p>11 THE WITNESS: I guess it's not really revenue.</p> <p>12 It's asset accumulation. But 55,000 times 31 is</p> <p>13 1.7 million.</p> <p>14 BY MR. REYHANI:</p> <p>15 <b>Q. And if the debtor continues to operate instead</b></p> <p>16 <b>of selling its equipment it will continue to produce</b></p> <p>17 <b>bitcoins, correct?</b></p> <p>18 A. That is correct.</p> <p>19 MR. REYHANI: If Tereza would be so kind to</p> <p>20 circulate the next exhibit, which we are going to mark as</p> <p>21 13, I believe. It's the single-page document titled the</p> <p>22 Alydian operating budget.</p> <p>23 BY MR. REYHANI:</p> <p>24 <b>Q. Mr. Vessenes, are you familiar with this</b></p> <p>25 <b>document?</b></p>

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<p>1 A. Yes.</p> <p>2 <b>Q. Do you recall the first time you saw this</b></p> <p>3 <b>document?</b></p> <p>4 A. No.</p> <p>5 <b>Q. Did you prepare this document?</b></p> <p>6 A. No.</p> <p>7 <b>Q. Who prepared this document?</b></p> <p>8 A. The original was prepared -- the updated</p> <p>9 version was prepared by Kelly Gates.</p> <p>10 <b>Q. Did you look at it before it was filed?</b></p> <p>11 A. Yes.</p> <p>12 <b>Q. Can you just walk us through the various line</b></p> <p>13 <b>items so we have a proper understanding?</b></p> <p>14 A. Okay. Bitcoins mined is an estimate of the</p> <p>15 amount of bitcoins to be mined for a given month. You</p> <p>16 should note there's a typo. We have January 2013 and</p> <p>17 February 2013, but it should be January 2014 and</p> <p>18 February 2014.</p> <p>19 <b>Q. Okay.</b></p> <p>20 A. We agreed that the trustee at the time not to</p> <p>21 forecast dollar value to the coins. We didn't know what</p> <p>22 they would be. So there's just bitcoins mined.</p> <p>23 The project management, that would include Hans</p> <p>24 certainly, perhaps Bobby, I'm not sure. There's Bobby,</p> <p>25 Robert and Hans, that will be included somewhere in</p>	<p>1 A. I said additional from the November, December.</p> <p>2 250 additional.</p> <p>3 <b>Q. So you paid them a retention bonus on top of</b></p> <p>4 <b>their salaries and now they're going to get another</b></p> <p>5 <b>retention bonus?</b></p> <p>6 A. Yes, they wanted some to stay through end of</p> <p>7 the year and more to stay through the end of January.</p> <p>8 <b>Q. There are other engineers that could assist</b></p> <p>9 <b>with this project, correct?</b></p> <p>10 A. I think we've already had that conversation.</p> <p>11 <b>Q. I understand that, but you are now paid</b></p> <p>12 <b>\$355,000 for three people for two months of retention</b></p> <p>13 <b>bonuses or planning to pay?</b></p> <p>14 A. Yes, and in my judgment that's much better than</p> <p>15 having them leave tomorrow and all the rigs turning off</p> <p>16 since that's just six or seven days of downtime. So if</p> <p>17 we can't replace a whole functional team in seven days,</p> <p>18 we've lost money.</p> <p>19 <b>Q. What about the contractors?</b></p> <p>20 A. Contractors are -- those are people doing</p> <p>21 installation, assembly, et cetera. Mostly like day</p> <p>22 labor, I would say.</p> <p>23 <b>Q. Keep going on.</b></p> <p>24 A. Hosting expenses. That's the sort of power</p> <p>25 cooling and real estate costs for hosting the rigs. NRE</p>
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<p>1 project management. And I suppose possibly contractors</p> <p>2 between the two of them. Executive compensation.</p> <p>3 <b>Q. Are the two --</b></p> <p>4 A. I'm sorry. Go ahead.</p> <p>5 <b>Q. Are the two engineers expected to maintain the</b></p> <p>6 <b>systems Bobby and Robert?</b></p> <p>7 A. Yes, that's correct.</p> <p>8 <b>Q. Okay, please go on to executive comp.</b></p> <p>9 A. We have talked about that. That's a budget for</p> <p>10 me. Severance is mislabeled. It was a retention is a</p> <p>11 better word for it.</p> <p>12 <b>Q. So debtor paid \$105,000 in retention moneys to</b></p> <p>13 <b>certain people?</b></p> <p>14 A. Not all of that yet. So the total amount is</p> <p>15 about \$350,000 that the team asked for.</p> <p>16 <b>Q. Wait, I'm sorry. There's 105,000 listed there.</b></p> <p>17 <b>The total amount is how much?</b></p> <p>18 A. As I told you earlier, it's 250 -- it was 105</p> <p>19 available in December and 250 the end of January.</p> <p>20 <b>Q. So that's \$355,000 in retention moneys?</b></p> <p>21 A. Yes.</p> <p>22 <b>Q. And who is all that for?</b></p> <p>23 A. Hans, Robert and Bobby.</p> <p>24 <b>Q. Earlier you testified that that trio wanted</b></p> <p>25 <b>\$250,000 total. How are we up to --</b></p>	<p>1 stands for nonrecurring expenses, engineering.</p> <p>2 Nonrecurring engineering, I think. Those are charges</p> <p>3 that hosting providers charge upfront for installing our</p> <p>4 rigs because they often need special cooling or power.</p> <p>5 Admin services will be bookkeeping mostly.</p> <p>6 Some accounting. Got to get tax folks in for Alydian.</p> <p>7 Travel is mostly going to be travel to and from hosting</p> <p>8 locations for employees doing installations. Office</p> <p>9 rent, self-explanatory as is utilities. Miscellaneous is</p> <p>10 probably just that, small items. Capital expenditures,</p> <p>11 that would have been the purchase of final parts so stuff</p> <p>12 like the last boards or heat sinks or enclosures for</p> <p>13 mining systems. Inventory write off that could be two</p> <p>14 things many I'm not sure what that is. It might either</p> <p>15 be Alydian has a bunch of chips that it decided not to</p> <p>16 turn into boards and mine with them. So it might be</p> <p>17 writing those chips off. I would guess that's what that</p> <p>18 is. It might also be just a misnamed depreciation line</p> <p>19 item. So the systems depreciate quite rapidly as we</p> <p>20 discussed. But I think that that's the chips being</p> <p>21 written off.</p> <p>22 MS. SIMONYAN: It's listed as an expenditure.</p> <p>23 How is that an expenditure if it's a write-off for</p> <p>24 depreciation?</p> <p>25 THE WITNESS: I'm sorry. I just want to answer</p>

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<p>1 questions from Bryan.</p> <p>2 MS. SIMONYAN: Bryan, can you ask the same</p> <p>3 question, please?</p> <p>4 BY MR. REYHANI:</p> <p>5 <b>Q. Why is it listed as a spurn /KHAOUR?</b></p> <p>6 A. I'm sorry what the capital spurn /KHAOURS.</p> <p>7 MS. SIMONYAN: No, inventory write-off.</p> <p>8 BY MR. REYHANI:</p> <p>9 <b>Q. Inventory write-off.</b></p> <p>10 A. Yeah, I mean that's something an accountant</p> <p>11 puts together to keep accrual basis understanding of what</p> <p>12 is happening on the books. It is not a cash transaction,</p> <p>13 the write-offs. It's like saying oh, we have these we</p> <p>14 bought these parts and we booked at them cost on our</p> <p>15 balance sheet and now they're not worth anything and so</p> <p>16 you write them off. It doesn't materially impact the</p> <p>17 cash holdings of the company.</p> <p>18 <b>Q. That would actually help the company from a tax</b></p> <p>19 <b>perspective, no?</b></p> <p>20 A. It would, yes.</p> <p>21 <b>Q. So Alydian the debtor has a total expenses for</b></p> <p>22 <b>the month of December of about \$442,000, correct?</b></p> <p>23 A. That was the estimate. I believe the final</p> <p>24 numbers were lower like we came in under budget.</p> <p>25 <b>Q. That's good?</b></p>	<p>1 <b>Q. So, that is total, okay. So even if -- what</b></p> <p>2 <b>are the forecast expenses do you think for January,</b></p> <p>3 <b>around 440 something thousand, a little bit more, a</b></p> <p>4 <b>little bit less?</b></p> <p>5 A. It should be less than December, excepting the</p> <p>6 severance, not severance but this retention. Hosting is</p> <p>7 going to come in a little under what we thought. We did</p> <p>8 better in hosting. And that's really the big driver</p> <p>9 right now. So it will be below again like pull out that</p> <p>10 severance line the retention line much the operating</p> <p>11 expenses will be less.</p> <p>12 MS. GLYNN LEVIN: There's legal.</p> <p>13 THE WITNESS: There is legal. Legal is not on</p> <p>14 here.</p> <p>15 BY MR. REYHANI:</p> <p>16 <b>Q. So what is a fair number for the total expenses</b></p> <p>17 <b>do you think for the debtor for January? 400,000?</b></p> <p>18 A. Again, I don't know. I'd prefer to bring like</p> <p>19 some from our accounting staff. That would be the proper</p> <p>20 thing.</p> <p>21 <b>Q. But it should be under the 440?</b></p> <p>22 A. I will say this. As soon as we produce it, I</p> <p>23 will happily send you a copy it. I would be happy to do</p> <p>24 that. I don't mean produce in a legal sense, but as soon</p> <p>25 we've got a forecast, I will have it sent on to you guys.</p>
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<p>1 A. I agree.</p> <p>2 <b>Q. And Alydian mined approximately 2573 bitcoins</b></p> <p>3 <b>that was what was expected?</b></p> <p>4 A. That was a forecast as of November 27th, I</p> <p>5 think we mined more about -- we mined more bitcoins than</p> <p>6 that in December, though. So we beat our revenue budget</p> <p>7 as well. Our bitcoin mining budget as well.</p> <p>8 <b>Q. So let's just say 2,600 and maybe there's more.</b></p> <p>9 <b>So Alydian mined 2,600 bitcoins times eight or nine</b></p> <p>10 <b>hundred bucks. We're looking at 1.8 million or so</b></p> <p>11 <b>dollars U.S. dollars and only had expenses of less than</b></p> <p>12 <b>442,000, correct?</b></p> <p>13 A. If you take 2,600 coins times today's price,</p> <p>14 yes. They were worth less at the end of December,</p> <p>15 though, significantly. So again we get to -- we just get</p> <p>16 to when you want to price, price and market them, but</p> <p>17 Alydian had significantly net income in December,</p> <p>18 definitely.</p> <p>19 <b>Q. And January with 1,600 or so bitcoins</b></p> <p>20 <b>anticipated and expenses of 775, it's going to be again</b></p> <p>21 <b>profitable in January?</b></p> <p>22 A. I'm sorry, I think you've -- I'm sorry Bryan to</p> <p>23 interrupt you, but I think you have misread the chart.</p> <p>24 There are no forecast expenses for January. On this</p> <p>25 sheet.</p>	<p>1 <b>Q. But the expenses should be within the ballpark</b></p> <p>2 <b>of the prior month's expenses?</b></p> <p>3 A. I would think so. All in, I would think so. I</p> <p>4 haven't seen the latest legal bills. So that would be</p> <p>5 one exception.</p> <p>6 <b>Q. So if those expenses for January as compared to</b></p> <p>7 <b>the potential revenue of mining, you should mine</b></p> <p>8 <b>approximately \$1.3 million' worth of bitcoin in January</b></p> <p>9 <b>if your projections hold true, correct at today's U.S.</b></p> <p>10 <b>dollar value?</b></p> <p>11 A. We've got 1,600 times 800 or something. 1.2,</p> <p>12 1.3 million in asset accumulation? Okay, sure.</p> <p>13 <b>Q. And the same holds true with -- and I noticed</b></p> <p>14 <b>that have been having the amount of projected bitcoins if</b></p> <p>15 <b>the hashing network slows down, you should be able to</b></p> <p>16 <b>increase the amount of those projected bitcoins per</b></p> <p>17 <b>month, correct?</b></p> <p>18 A. If the market -- of course the slower the</p> <p>19 growth rate of competing bitcoin miners, the longer the</p> <p>20 rigs will take to kind of, you know, work through what</p> <p>21 they have got.</p> <p>22 <b>Q. Indeed the hash rate growth has in fact slowed</b></p> <p>23 <b>down, correct?</b></p> <p>24 A. Since when?</p> <p>25 <b>Q. Since middle of December?</b></p>

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<p>1 A. Oh, it's probably -- it's just been two weeks.</p> <p>2 It's too early to get a strong sense. My last</p> <p>3 recollections are that growth rate is at between eleven</p> <p>4 and 15 percent per what do you call it? Per set of</p> <p>5 2016 blocks.</p> <p>6 <b>Q. Regarding all the pre-buy contracts that the</b></p> <p>7 <b>debtor entered into, did any of them have hard deadlines</b></p> <p>8 <b>on which the bitcoins absolutely must be paid?</b></p> <p>9 A. The pre-buy contracts all of the original ones</p> <p>10 had a one-year term.</p> <p>11 <b>Q. A one-year term, okay. And they all expired</b></p> <p>12 <b>last month, December 2013, correct?</b></p> <p>13 A. No, that's not correct.</p> <p>14 <b>Q. With the exception of Bitvestment, did all the</b></p> <p>15 <b>debtor pre-buy contracts with its customers expire in</b></p> <p>16 <b>December of 2013?</b></p> <p>17 A. No, I don't believe so.</p> <p>18 <b>Q. Whose contract do you not believe expired last</b></p> <p>19 <b>month?</b></p> <p>20 A. I believe there's some January and February</p> <p>21 contracts as well.</p> <p>22 <b>Q. For the sake of argument, let's say they all</b></p> <p>23 <b>expired. If they all expired, those contracts were</b></p> <p>24 <b>supposed to be refunded in U.S. dollars, correct?</b></p> <p>25 <b>MS. GLYNN LEVIN: Objection; calls for a legal</b></p>	<p>1 MS. SIMONYAN: Is this the first page you have?</p> <p>2 THE WITNESS: The first page I have says</p> <p>3 monthly financial report for corporate.</p> <p>4 BY MR. REYHANI:</p> <p>5 <b>Q. Are you familiar with this document?</b></p> <p>6 A. I just was looking at the first page. Hold on.</p> <p>7 <b>Q. Let me know when you are done.</b></p> <p>8 A. I'm familiar with the content of the document,</p> <p>9 yes.</p> <p>10 <b>Q. And on the second page, is that your digital</b></p> <p>11 <b>signature there, attesting that the information is</b></p> <p>12 <b>provided under penalty of perjury?</b></p> <p>13 A. Yes, to the best of my knowledge.</p> <p>14 <b>Q. Would you be so kind as to walk us through the</b></p> <p>15 <b>information starting on the third page?</b></p> <p>16 A. Sure. Page 3, this is a statement of assets</p> <p>17 and liabilities for the debtor as of November 30, 2013.</p> <p>18 The debtor had no cash or cash held by others. It had</p> <p>19 bitcoins that we valued on the balance sheet at \$129,000.</p> <p>20 \$129,168 dollars. We had no notes receivable.</p> <p>21 MS. GLYNN LEVIN: Just ask for other question.</p> <p>22 THE WITNESS: Do you have other questions. Do</p> <p>23 you want me to walk through one by line?</p> <p>24 BY MR. REYHANI:</p> <p>25 <b>Q. You valued the accounts receivable net. Why is</b></p>
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<p>1 <b>conclusion clearings. You can ask him what his</b></p> <p>2 <b>understanding is, but there's been litigation on this</b></p> <p>3 <b>already. I actually don't know what you are talking</b></p> <p>4 <b>about.</b></p> <p>5 BY MR. REYHANI:</p> <p>6 <b>Q. Do the contracts have a clause that say that</b></p> <p>7 <b>after a year to the extent bitcoins aren't provided to</b></p> <p>8 <b>those customers, that they are to be refunded in U.S.</b></p> <p>9 <b>dollars?</b></p> <p>10 <b>MS. GLYNN LEVIN: Which contracts are you</b></p> <p>11 <b>talking about, Bryan, because I don't know that they're</b></p> <p>12 <b>all the same? I mean you are talking about contracts</b></p> <p>13 <b>that would probably include your own client's contract,</b></p> <p>14 <b>which is not necessarily the same as the rest. So can we</b></p> <p>15 <b>look at a specific one?</b></p> <p>16 MR. REYHANI: Sure we can go pull ought the</p> <p>17 various contracts and do this painstakingly slowly.</p> <p>18 Let's look at another exhibit. We're going to move on.</p> <p>19 MS. GLYNN LEVIN: Good.</p> <p>20 MR. REYHANI: We're going to move on. If</p> <p>21 Tereza could pass out what we are going to mark as</p> <p>22 Exhibit 14. It's the monthly financial report for the</p> <p>23 debtor. It is a 17-page document that was filed on</p> <p>24 December 17, 2013.</p> <p>25 (Exhibit No. 14 marked.)</p>	<p>1 <b>that on the -- how is that an account receivable?</b></p> <p>2 A. Yeah, that's a good question. That's intended</p> <p>3 to be the bitcoin asset line. I'm not sure why it reads</p> <p>4 AR net. That would maybe be a decision that the</p> <p>5 bookkeeper made for accounting reasons, but it's under</p> <p>6 current assets, so it's intended to -- it's intended to</p> <p>7 read just like any other current asset, which is to say</p> <p>8 it's available for use right away.</p> <p>9 MS. SIMONYAN: Right. Before you object, I'm</p> <p>10 helping out. There's an explanation on the following</p> <p>11 page. That's what it's intended to be the bitcoin</p> <p>12 assets. So because this is a pre-made form, that's why</p> <p>13 it's listed. They had to fit it somewhere.</p> <p>14 THE WITNESS: Yeah, there we go. So I guess --</p> <p>15 thank you, Tereza. And our name is in that column to the</p> <p>16 right.</p> <p>17 BY MR. REYHANI:</p> <p>18 <b>Q. So forgive me, I'm not a balance sheet kind of</b></p> <p>19 <b>guy, but Alydian mined, we discussed they mined 1,500 --</b></p> <p>20 <b>it mined 1,500 bitcoins in November or something in that</b></p> <p>21 <b>ballpark, and the price on November 30th was</b></p> <p>22 <b>approximately \$1,132, which quantifies for a total value</b></p> <p>23 <b>of \$1.6 million in bitcoin value and the debtor is</b></p> <p>24 <b>equating it to \$129,000?</b></p> <p>25 A. That's correct.</p>

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<p>1 <b>Q. Can you explain that?</b></p> <p>2 A. Yes, I can. Would you like me to?</p> <p>3 <b>Q. Yes, please.</b></p> <p>4 A. So Alydian carries -- Alydian is accumulating</p> <p>5 assets, and, you know, we feel the most tax efficient way</p> <p>6 to keep track of what we're doing.</p> <p>7 Now, when you do asset accumulation, you book</p> <p>8 the assets you acquire at cost. So if you are going to</p> <p>9 dig gold out of the ground, you take the cost of digging</p> <p>10 the gold out and you book the gold at cost. Oil the same</p> <p>11 thing.</p> <p>12 So Alydian's balance sheet is going to show</p> <p>13 bitcoins at the cost of producing them, and when and if</p> <p>14 Alydian sells coins, uses them to buy things, hosting and</p> <p>15 other things, they're then converted into dollars at the</p> <p>16 value agreed on, and you then would book revenue for them</p> <p>17 then, but you don't book it as revenue and you don't mark</p> <p>18 it to market ahead of time.</p> <p>19 So when we discussed this with the attorney for</p> <p>20 the trustee, because the balance sheet is -- I mean, it</p> <p>21 gives you no help in determining how many bitcoins</p> <p>22 Alydian has, right? I mean, you can't scan this balance</p> <p>23 sheet and understand how many bitcoins. And so we're</p> <p>24 providing the trustee with that same report we gave you</p> <p>25 guys, the transactional list by date, so you can just sum</p>	<p>1 <b>Q. Is there anyone in particular at that firm?</b></p> <p>2 A. There is, probably. I don't know their name,</p> <p>3 though.</p> <p>4 <b>Q. You don't know the person at Moss Adams who is</b></p> <p>5 <b>assisting with these schedules?</b></p> <p>6 A. No.</p> <p>7 <b>Q. Prior to signing off on this submission, did</b></p> <p>8 <b>you have any questions for the accountants or did you</b></p> <p>9 <b>just take it at face value and sign it?</b></p> <p>10 A. No. I've been through this cost base</p> <p>11 accounting conversation over quite some period of time,</p> <p>12 and I'm comfortable with it.</p> <p>13 A bitcoin mining company -- I think you will</p> <p>14 find this quite standard -- is going to book their</p> <p>15 bitcoins at cost, and it, A, saves a whole bunch of work</p> <p>16 recalculating the balance sheet every day based on market</p> <p>17 changes and, B, is appropriate for what they did. They</p> <p>18 went out and made their coins. They cost what they cost</p> <p>19 to make. And so in a circumstance like --</p> <p>20 <b>Q. I'm sorry?</b></p> <p>21 A. In circumstances like that, in extractive</p> <p>22 industries, as well as bitcoin mining, you often just</p> <p>23 create a management report that provides more use full</p> <p>24 data for people, and that's what we're doing for the</p> <p>25 trustee and we're doing internally, so.</p>
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<p>1 up how many coins Alydian actually has.</p> <p>2 And then for this next month, they also want an</p> <p>3 end-of-month mark-to-market price for them, but that</p> <p>4 won't go on this balance sheet because that's not like</p> <p>5 the advice Moss Adams has given Alydian. The advice we</p> <p>6 have gotten from the CPA firm is that bitcoins should be</p> <p>7 booked at the cost of generating them.</p> <p>8 <b>Q. So it cost Alydian 130,000 bucks to mine \$1.6</b></p> <p>9 <b>million in bitcoins?</b></p> <p>10 A. Yes. Again, we've been over the budget and so</p> <p>11 on. Some of the costs, some costs are accrued to like</p> <p>12 the cost basis accounting for the coins and some aren't.</p> <p>13 I don't understand all the accounting mechanics, but</p> <p>14 that's how much cost the accountant say should be accrued</p> <p>15 to those coins.</p> <p>16 <b>Q. So it cost compared to the value, so the cost</b></p> <p>17 <b>of 100 -- it cost Alydian \$130,000 to mine the value of</b></p> <p>18 <b>\$1.6 million bitcoins as of November 30th?</b></p> <p>19 A. Well, no. Well, I mean it cost Alydian</p> <p>20 approximately 330,000 to mine those coins. However, of</p> <p>21 those costs, you know, 130,000 of them are sort of</p> <p>22 bookable as the bitcoin cost on the balance sheet.</p> <p>23 <b>Q. Who is the accountant that is providing this</b></p> <p>24 <b>advice?</b></p> <p>25 A. Moss Adams.</p>	<p>1 <b>Q. Well, isn't it more accurate from an accounting</b></p> <p>2 <b>standpoint to actual market to market your assets on a</b></p> <p>3 <b>daily basis so you understand the overall health of a</b></p> <p>4 <b>company?</b></p> <p>5 A. You just told me you're not a balance sheet</p> <p>6 guy. I'm telling you CPA's and extractive industries say</p> <p>7 you should book these assets at cost. It's far more tax</p> <p>8 fitter for the debtor which is going to hit all the</p> <p>9 creditors like you want a tax efficient treatment on this</p> <p>10 Mike, believe me, and I mean this is the proper way to do</p> <p>11 cost base accounting for asset accumulation.</p> <p>12 <b>Q. So what is included in inventory of</b></p> <p>13 <b>1.55 million?</b></p> <p>14 A. So that's mining rigs and systems less</p> <p>15 depreciation. Yeah, I guess we're pulling depreciation</p> <p>16 out on this fixed asset. Let me see. Hold on. This is</p> <p>17 as of November 30th. I would -- mmm. Okay, so let me</p> <p>18 read through these. We've got inventory and then below</p> <p>19 fixed assets we've got deployed systems and then we've</p> <p>20 got depreciation.</p> <p>21 So I believe inventory, our systems that have</p> <p>22 not yet been employed and are not running. So as</p> <p>23 November 30th there was \$1.5 million in parts and systems</p> <p>24 not yet deployed. Again, that's the cost. And then</p> <p>25 there's equipment. The deployed equipment was \$547,000.</p>

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<p>1 Above we have accumulated 364,000 of depreciation.</p> <p>2 <b>Q. Where are -- forgive me. Are the mining rigs</b></p> <p>3 <b>only included in deployed systems, or are they also</b></p> <p>4 <b>included in inventory?</b></p> <p>5 A. When they're in inventory they're not yet</p> <p>6 running and once they are running, they're in deployed</p> <p>7 systems. So the snapshot you see here at the end 69</p> <p>8 November shows that we had a lot of stuff not yet out and</p> <p>9 deployed for hosting.</p> <p>10 <b>Q. So this 1.5 million in inventory and five</b></p> <p>11 <b>hundred thousand in equipment, let's call it \$2 million</b></p> <p>12 <b>for the sake of round numbers, this \$2 million of</b></p> <p>13 <b>inventory and equipment is what you contend now has a</b></p> <p>14 <b>spot value of \$6.2 million?</b></p> <p>15 A. Well, I didn't -- well, if you could sell it</p> <p>16 all at spot, as of the date of the declaration, it would</p> <p>17 generate about the \$6 million.</p> <p>18 As I say in my declaration, the market are</p> <p>19 quite illiquid, and so you would move the market around a</p> <p>20 lot putting even a tenth of our capacity on to it. So we</p> <p>21 don't know the accurate market price, and I've said that</p> <p>22 a number of times. I don't think we will until we get</p> <p>23 bidders in.</p> <p>24 <b>Q. You have under liability other accounts payable</b></p> <p>25 <b>and notes payable. Can you walk through the bottom half</b></p>	<p>1 <b>yes.</b></p> <p>2 A. I mean yeah, we can go into QuickBooks and get</p> <p>3 you a more detailed report of the balance sheet. I don't</p> <p>4 mind.</p> <p>5 <b>Q. Okay, I welcome that. But your accountant at</b></p> <p>6 <b>moss add documents who you don't know the person's name</b></p> <p>7 <b>is the one who recommended that this is how the</b></p> <p>8 <b>information be inputted on this balance sheet, correct?</b></p> <p>9 A. They provided the advice on the cost base</p> <p>10 accounting for bitcoin mining, yes.</p> <p>11 <b>Q. Let's turn the page, please. If you could</b></p> <p>12 <b>explain the data on this page, I would appreciate it.</b></p> <p>13 A. What page are you on?</p> <p>14 MS. SIMONYAN: Four.</p> <p>15 BY MR. REYHANI:</p> <p>16 <b>Q. Page 4 of 17 as filed.</b></p> <p>17 A. What do you want to know? About it? We have</p> <p>18 summed up the liabilities column. There's \$882,417 in</p> <p>19 capital stock. That would be the capital call conceived</p> <p>20 of on the August 29th document, CoinLab's 550K and</p> <p>21 Cartmell's 2,500 bitcoins. There's the initial seed</p> <p>22 round from Cartmell of \$500,000. (Chk doc</p> <p>23 Retained earnings is -- you would sum up the</p> <p>24 sort of like carry forward losses and earnings of the</p> <p>25 corporation so far. So that will be the offset you will</p>
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<p>1 <b>of this balance sheet?</b></p> <p>2 A. Other accounts payable, those would be</p> <p>3 purchases that CoinLab made on Alydian's behalf that have</p> <p>4 not yet been paid for as of November 30th. Notes payable</p> <p>5 would be prebuyers, and the Cartmell contracts, I</p> <p>6 believe. No, the bitcoins due investors...</p> <p>7 MS. GLYNN LEVIN: Those are post-petition.</p> <p>8 THE WITNESS: Oh, yeah, so it's post-petition.</p> <p>9 So I guess I would, you know, I would I'm not sure</p> <p>10 exactly how those total up. But I would think between</p> <p>11 notes payable and other we've got all the pre-buy</p> <p>12 contracts and the cart contract.</p> <p>13 BY MR. REYHANI:</p> <p>14 <b>Q. Did you review this document before your</b></p> <p>15 <b>testimony today in preparation for your testimony today?</b></p> <p>16 A. I haven't seen this since we filed it, no.</p> <p>17 <b>Q. So if you can't answer the bottom half of this</b></p> <p>18 <b>balance sheet as to what stands for what, would there be</b></p> <p>19 <b>a better person to ask these questions of?</b></p> <p>20 A. Would you -- I mean, I'm happy to provide you</p> <p>21 what line items of the notes payable account and the</p> <p>22 other, if you would like to see them. Would that help</p> <p>23 you?</p> <p>24 <b>Q. If there's a breakdown as to pretty much this</b></p> <p>25 <b>whole entire balance, that probably would be helpful,</b></p>	<p>1 take against any income the IRS assesses against the</p> <p>2 company.</p> <p>3 The negative equity shows the company is</p> <p>4 insolvent. Anything else I can tell you there?</p> <p>5 <b>Q. Now, if could you turn to the next page,</b></p> <p>6 <b>please.</b></p> <p>7 A. Yes.</p> <p>8 <b>Q. What is the depreciation of 290,000 in the</b></p> <p>9 <b>third column towards the bottom?</b></p> <p>10 A. So we depreciate the mining rigs I think on a</p> <p>11 five or six-month schedule assuming that they won't be</p> <p>12 profitable to run after that period of time. So</p> <p>13 depreciation is just it's again it's accounting. You are</p> <p>14 trying to keep track of the value of your assets. So</p> <p>15 that's our charge against the rigs, basically, what we</p> <p>16 think their hard asset value is.</p> <p>17 <b>Q. When did the debtor determine design parameters</b></p> <p>18 <b>for Alydian's chips?</b></p> <p>19 A. It was an iterative process. So it happened</p> <p>20 over a long period of time. Are there any design</p> <p>21 parameters --</p> <p>22 <b>Q. When did it start?</b></p> <p>23 A. What design parameters are you most interested</p> <p>24 in?</p> <p>25 <b>Q. What Alydian decided to go with 65 nanometer</b></p>

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<p>1 <b>chips.</b></p> <p>2 A. We decided to do that -- we actually had a --</p> <p>3 we originally planned on 110-nanometer project as of</p> <p>4 October, and we -- we sold some pre-buy contracts. Two</p> <p>5 things happened. One is we sold enough pre-buy contracts</p> <p>6 that it looked like we could jump processes a couple</p> <p>7 jumps, and we also brought on Hans Olson who had better</p> <p>8 relationships with foundries and Hans was able to get a</p> <p>9 significantly cheaper quote for 65 nanometer chips than</p> <p>10 we had seen so far. And at the time that was the</p> <p>11 smallest geometry anyone had announced for bitcoin</p> <p>12 mining, as so we thought that made sense to do. That was</p> <p>13 probably Q1 of 2013, I guess.</p> <p>14 <b>Q. And by October in your prior statement you</b></p> <p>15 <b>meant October 2012?</b></p> <p>16 A. October 2012 was -- around then we were</p> <p>17 planning on a 110-nanometer process.</p> <p>18 <b>Q. There were smaller chips on the market overall,</b></p> <p>19 <b>though, correct?</b></p> <p>20 A. I'm sorry, what do you mean?</p> <p>21 <b>Q. There were smaller chips on the market overall,</b></p> <p>22 <b>like you could have produced 55 nanometers or 45</b></p> <p>23 <b>nanometers chips at that time, correct?</b></p> <p>24 A. What time?</p> <p>25 <b>Q. When you elected to go with 65's.</b></p>	<p>1 printed out. Are you going to reference to specific</p> <p>2 portions of the document, because I can print it out</p> <p>3 fairly quickly.</p> <p>4 MR. REYHANI: You know, if it's easier, I will</p> <p>5 withdraw that exhibit for now, and.</p> <p>6 BY MR. REYHANI:</p> <p>7 <b>Q. And do you generally understand what</b></p> <p>8 <b>information the debtor was required to provide to the</b></p> <p>9 <b>Court in connection with its bankruptcy petition?</b></p> <p>10 <b>A.</b></p> <p>11 MR. TOWNSEND: Objection that calls for a legal</p> <p>12 conclusion, vague, ambiguous. It calls for a narrative.</p> <p>13 BY MR. REYHANI:</p> <p>14 <b>Q. Do you understand that debtor is obligated to</b></p> <p>15 <b>advise the court of all of its assets in the bankruptcy</b></p> <p>16 <b>proceeding?</b></p> <p>17 <b>MS. GLYNN LEVIN: Objection.</b></p> <p>18 MR. TOWNSEND: Objection.</p> <p>19 MS. GLYNN LEVIN: Calls for a legal conclusion.</p> <p>20 BY MR. REYHANI:</p> <p>21 <b>Q. What is your understanding of what you are</b></p> <p>22 <b>required to provide the court in the bankruptcy</b></p> <p>23 <b>proceeding on behalf of the debtor?</b></p> <p>24 A. , I mostly just relied on my lawyers to tell me</p> <p>25 what to put together. I'm not a bankruptcy expert or a</p>
Page 230	Page 232
<p>1 A. So at the time, if we wanted to have a smaller</p> <p>2 geometry, we would have needed significantly more money</p> <p>3 for the mask. We paid \$400,000 for the mask for 65</p> <p>4 nanometer. And I think you know the next significant</p> <p>5 process jump would have been close to a million dollars</p> <p>6 just for the mask, no chips. So yeah chip manufacturers</p> <p>7 offered other chip sizes but not in our price range.</p> <p>8 <b>Q. And the proof of work within the bitcoin</b></p> <p>9 <b>network uses the algorithm known as Shaw 256, correct?</b></p> <p>10 A. Among other things.</p> <p>11 <b>Q. And that algorithm has been the same algorithm</b></p> <p>12 <b>since the creation of bitcoin in 2009?</b></p> <p>13 A. The bitcoin algorithm has not changed since</p> <p>14 2009.</p> <p>15 <b>Q. So anyone running mining equipment that runs</b></p> <p>16 <b>that algorithm Shaw 256 can participate in bitcoin</b></p> <p>17 <b>mining, correct?</b></p> <p>18 A. Anyone running the bitcoin mining algorithm can</p> <p>19 participate in bitcoin mining.</p> <p>20 <b>Q. We're at our last document, which is the if</b></p> <p>21 <b>Tereza would be kind enough to hand it out. It is the</b></p> <p>22 <b>petition, the bankruptcy petition in this matter filed on</b></p> <p>23 <b>November 4th. It's a ten page document, and we're</b></p> <p>24 <b>marking it as Exhibit 15.</b></p> <p>25 MS. SIMONYAN: You know I don't have that</p>	<p>1 lawyer. If they said put some documents into the court</p> <p>2 or file them or if the judge has requested something or</p> <p>3 the trustee has requested something, we try to be</p> <p>4 responsive to that.</p> <p>5 <b>Q. What types of information do you believe that</b></p> <p>6 <b>you are supposed to provide to the Court?</b></p> <p>7 A. Again like I said, I don't know about supposed</p> <p>8 to. I think we have provided lists of what Alydian has</p> <p>9 what we think it owes, key contracts, you know future</p> <p>10 plans, information about the estate that we think would</p> <p>11 be useful to creditors and the trustee and the judge.</p> <p>12 <b>Q. Who did you discuss the bankruptcy filing with</b></p> <p>13 <b>prior to filing the petition?</b></p> <p>14 A. Deirdre Glynn Levin, Brian Cartmell, Joel</p> <p>15 Yarmon.</p> <p>16 <b>Q. Who was the first person? I'm sorry, I</b></p> <p>17 <b>couldn't hear you?</b></p> <p>18 A. Deirdre Glynn Levin, my attorney.</p> <p>19 MS. GLYNN LEVIN: Right here.</p> <p>20 THE WITNESS: And roger towns.</p> <p>21 BY MR. REYHANI:</p> <p>22 <b>Q. Joel Yarmon who else?</b></p> <p>23 A. Joe Yarmon Brian Cartmell and roger Townsend.</p> <p>24 <b>Q. We noticed that the debtor filed proofs of</b></p> <p>25 <b>claim on behalf of a number of creditors. Are you aware</b></p>

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<p>1 of that?</p> <p>2 A. No. I was not aware of that.</p> <p>3 <b>Q. Do you know?</b></p> <p>4 A. No, maybe I was. What does that mean, Bryan?</p> <p>5 Can you explain? I just want to see.</p> <p>6 MS. GLYNN LEVIN: He has to show them to you.</p> <p>7 BY MR. REYHANI:</p> <p>8 <b>Q. Are you aware that the debtor Alydian filed</b></p> <p>9 <b>proofs of claim on behalf of a number of creditors in</b></p> <p>10 <b>this action? If you are not aware, you are not aware?</b></p> <p>11 A. I'm not sure. If you have got something for me</p> <p>12 to look at I would be happy to look at it and tell if I</p> <p>13 knew about it but I'm not sure based on just that.</p> <p>14 <b>Q. Have you spoken with any creditors in this</b></p> <p>15 <b>matter about filing a claim on their behalf?</b></p> <p>16 A. No, I don't think so. That I would file a</p> <p>17 claim on behalf of another creditor?</p> <p>18 <b>Q. That the debtor would file a claim on behalf of</b></p> <p>19 <b>a creditor.</b></p> <p>20 A. Is the debtor filing claims on behalf of other</p> <p>21 creditors. Not to my knowledge.</p> <p>22 <b>Q. Has the debtor been communicating with any</b></p> <p>23 <b>creditors?</b></p> <p>24 A. Of course. For instance, I am a creditor.</p> <p>25 <b>Q. What other creditors?</b></p>	<p>1 <b>Q. What did you guys discuss?</b></p> <p>2 A. That Alydian is in bankruptcy and he just</p> <p>3 wanted, as a creditor, to know what the plan was.</p> <p>4 <b>Q. Did he have any recommendations?</b></p> <p>5 A. I think he liked our plan.</p> <p>6 <b>Q. He liked your plan to reject his purported</b></p> <p>7 <b>executory contract?</b></p> <p>8 A. No, we didn't discuss that. He liked our plan</p> <p>9 to sell the mining rigs and get money to the creditors as</p> <p>10 quickly as possible.</p> <p>11 <b>Q. You said you had a discussion with Soule,</b></p> <p>12 <b>S-O-U-L-E?</b></p> <p>13 A. Yeah, we spoke with Jack Zwick from Soule.</p> <p>14 <b>Q. And what was the contents of your discussion?</b></p> <p>15 A. Mmm, I don't remember. Let me think. He</p> <p>16 wanted to get Alydian to pay him out early. I don't</p> <p>17 remember exactly. I think he wants more -- he wanted</p> <p>18 more than a refund on his coins. That was the upshot of</p> <p>19 the conversation. We didn't talk a lot of details,</p> <p>20 though.</p> <p>21 <b>Q. I have nothing further at this time. We're</b></p> <p>22 <b>going to leave the record open if after the documents</b></p> <p>23 <b>that were provided late last night. We need to review</b></p> <p>24 <b>additional documents. We need the information that we</b></p> <p>25 <b>requested today hopefully in due course, and so we can</b></p>
Page 234	Page 236
<p>1 A. The debtor communicates with communicated with</p> <p>2 Dan Gallancy with Joel Yarmon, with Brian Cartmell, Peter</p> <p>3 Vessenes, CoinLab, Inc., Ming Lung Chung, Soule</p> <p>4 Investments.</p> <p>5 <b>Q. Who was the one before Soule? I couldn't hear</b></p> <p>6 <b>you, I'm sorry.</b></p> <p>7 A. He's one of your clients. Ming. Okay. Let me</p> <p>8 see who else I remember.</p> <p>9 Christopher Koss. Bobby Seidensticker. Jon</p> <p>10 Chin. I think that's the list, to the best of my</p> <p>11 recollection.</p> <p>12 <b>Q. How are you communicating with the creditors?</b></p> <p>13 A. Mostly by phone, I think.</p> <p>14 <b>Q. Who have you had telephone discussions with?</b></p> <p>15 A. Ming. I suppose Ming is not a creditor of</p> <p>16 Alydian, actually. I've had -- since when? Ever?</p> <p>17 <b>Q. Post-petition.</b></p> <p>18 A. Post-petition. Cartmell. Phone conversations,</p> <p>19 Yarmon, Chris Koss, Bobby Seidensticker. That might be</p> <p>20 all. Jon Chin, maybe. I'm not sure about John.</p> <p>21 <b>Q. You said Roger Vierra (chk spell)?</b></p> <p>22 A. I have not spoken to Roger Vierra on the phone</p> <p>23 post-petition.</p> <p>24 <b>Q. Barry Silbert?</b></p> <p>25 A. I have talked to Barry Silbert.</p>	<p>1 <b>follow up hopefully at a convenient time for everyone in</b></p> <p>2 <b>the coming days or weeks, and behalf of Bitvestment I do</b></p> <p>3 <b>appreciate your time, Mr. Vessenes, and yours as well as</b></p> <p>4 <b>Ms. Glynn Levin and Mr. Townsend. And, Tereza, anything</b></p> <p>5 <b>on your end?</b></p> <p>6 MS. SIMONYAN: No. I have nothing further.</p> <p>7 MS. GLYNN LEVIN: So we are expecting some</p> <p>8 documents under 2004 to be produced by Bitvestment.</p> <p>9 THE WITNESS: Yesterday.</p> <p>10 MS. GLYNN LEVIN: As well. I don't think we</p> <p>11 received anything.</p> <p>12 MR. REYHANI: Are we done.</p> <p>13 MS. GLYNN LEVIN: We can go off the record.</p> <p>14 MR. REYHANI: That concludes it.</p> <p>15</p> <p>16 (Deposition concluded at 4:57 p.m.)</p> <p>17</p> <p>18 (By agreement between counsel and</p> <p>19 the witness, signature was reserved.)</p> <p>20 --oOo--</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

# EXHIBIT C

# CoinLab

Invoice List byDate  
All Dates

Invoice Date	Invoice Number	Invoice Amount	Invoice BTC Equivalent (See note 1)	Average BTC rate for invoice (See note 2)	USD Pymt Date #1	Type of Pymt	Amount of Payment	USD Pymt Date #2	Type of Pymt	Amount of Payment	Equity and Bankruptcy Tx	Type of Credit	Amount of Payment	BTC Pymt Date #1	Type of Pymt	Amount of Payment	Invoice Balance
11/01/2012	1014	25,000.00			11/21/12	USD	\$ 25,000.00										0.00
12/01/2012	1002	22,133.03			12/2/12	USD	\$ 22,133.03										0.00
12/27/2012	1004	39,872.51			12/27/12	USD	\$ 39,872.51										0.00
12/27/2012	1005	25,000.00			12/27/12	USD	\$ 25,000.00										0.00
01/09/2013	1006	5,062.20			1/10/13	USD	\$ 4,602.00	1/16/13	USD	\$ 460.20							0.00
01/15/2013	1007	29,173.90			1/16/13	USD	\$ 29,173.90										0.00
01/28/2013	1009	21,665.10			1/29/13	USD	\$ 21,665.10										0.00
01/29/2013	1010	26,657.86			2/1/13	USD	\$ 26,657.86										0.00
02/01/2013	1011	25,000.00			12/2/12	USD	\$ 10,000.00	2/8/13	USD	\$ 15,000.00							0.00
02/07/2013	1016	13,569.19			2/8/13	USD	\$ 13,569.19										0.00
02/11/2013	1019	1,749.00			2/12/13	USD	\$ 1,749.00										0.00
02/14/2013	1020	9,656.55			2/14/13	USD	\$ 9,656.55										0.00
02/25/2013	1023	39,674.80			2/26/13	USD	\$ 39,674.80										0.00
02/27/2013	1024	8,557.82			2/27/13	USD	\$ 8,557.82										0.00
03/04/2013	1025	25,000.00			3/4/13	USD	\$ 25,000.00										0.00
03/12/2013	1026	32,938.46			3/12/13	USD	\$ 32,938.46										0.00
03/12/2013	1027	3,293.85			3/12/13	USD	\$ 3,293.85										0.00
03/14/2013	1028	11,177.84			3/14/13	USD	\$ 11,177.84										0.00
03/22/2013	1029	40,260.00			3/22/13	USD	\$ 40,260.00										0.00
03/28/2013	1034	4,754.75			3/28/13	USD	\$ 4,754.75										0.00
03/28/2013	1035	56.91			3/28/13	USD	\$ 56.91										0.00
04/02/2013	1036	27,058.22			4/2/13	Credit	\$ 10,000.00	4/4/13	USD	17,058.22							0.00
04/12/2013	1038	5,426.85			4/12/13	USD	\$ 5,426.85										0.00
04/17/2013	1041	7,018.46			4/17/13	USD	\$ 7,018.46										0.00
04/22/2013	1042	7,269.35			5/8/13	USD	\$ 7,269.35										0.00
04/30/2013	1043	24,275.41			4/30/13	USD	\$ 24,275.41										0.00
04/30/2013	1044	11,923.26			4/30/13	USD	\$ 11,923.26										0.00
04/30/2013	1045	15,000.00			4/30/13	USD	\$ 15,000.00										0.00
05/08/2013	1046	15,000.00			5/8/13	USD	\$ 15,000.00										0.00
05/08/2013	1047	105,764.45			5/8/13	USD	\$ 105,764.45										0.00
05/15/2013	1052	237,023.00			5/15/13	USD	\$ 237,023.00										0.00
05/22/2013	1053	24,471.70			5/22/13	USD	\$ 24,471.70										0.00
05/31/2013	1054	27,111.14			6/6/13	USD	\$ 27,111.14										0.00
06/15/2013	1055	15,000.00			6/24/13	USD	\$ 15,000.00										0.00
06/15/2013	1056	23,107.29			6/24/13	USD	\$ 23,107.29										0.00
06/30/2013	1057	58,130.94			7/3/13	USD	\$ 58,130.94										0.00
06/30/2013	1058	21,117.47			7/3/13	USD	\$ 21,117.47										0.00
06/30/2013	1059	3,054.07			7/18/13	USD	\$ 3,054.07										0.00
06/30/2013	1060	1,520.86			7/18/13	USD	\$ 1,520.86										0.00
07/17/2013	1061	57,415.39			7/18/13	USD	\$ 57,415.39										0.00
07/25/2013	1062	97,635.85	1,053.27852798		8/12/13	USD	\$ 81,513.37	8/16/13	USD	\$ 1,000.00	8/31/13	Equity	15,122.48				0.00

07/31/2013	1063	61,722.51				8/31/13	Equity	61,722.51				0.00
07/31/2013	1064	235,535.78				8/31/13	Equity	235,535.78				0.00
08/07/2013	1065	136,454.77				8/31/13	Equity	136,454.77				0.00
08/19/2013	1066	104,261.03				8/31/13	Equity	104,261.03				0.00
08/31/2013	1067	221,589.36	1,816.70437590	121.97326265		8/31/13	Equity	2,584.23	10/31/13	1,795.51751950	219,005.13	0.00
09/12/2013	1068	287,068.77	2,337.61252850	122.80425712					10/31/13	2,337.61252850	287,068.77	0.00
09/19/2013	1069	719,574.80	5,739.76941410	125.36649961					10/31/13	5,739.76941410	719,574.80	0.00
09/30/2013	1070	294,240.17	2,352.53304470	125.07376705					10/31/13	2,352.53304470	294,240.17	0.00
10/15/2013	1071	239,054.58	1,861.62369739	128.41186988					10/31/13	1,861.62369739	239,054.58	0.00
10/30/2013	1072	580,809.69	3,083.44959521	188.36360773		11/1/13	BKRP Claim	\$389,765.00	10/31/13	1,014.23354705	191,044.69	0.00
10/31/2013	1073	13,450.26	66.90007461	201.04999999		11/1/13	BKRP Claim	\$ 13,450.26				0.00
<hr/>												
TOTALS		4,088,339.20			\$ 1,145,936.58			\$ 33,518.42		\$958,896.06		\$ 1,949,988.14
<hr/>												

Note 1: Number of bitcoins owed per invoice are calculated based on the date CoinLab made payment to vendor on behalf of Alydian. The "weighted price" rate posted by Bitstamp on the day prior to payment is always used. Thus one invoice will use more than one rate because each invoice includes more than one payment.

Note 2: The "Average BTC Rate per Invoice" is an internal number calculated as: The USD amount of the invoice divided by the "Number of bitcoins" owed for that invoice. It represents the average rate of the bitcoin used for one particular invoice. This allows the Company to allocate partial payments for an invoice.

Note 3: On 2/1/13, Invoice #1011 was issued from CoinLab to Alydian. It included a "prepayment" made to Keterex on 12/4/12 made by CoinLab on behalf of Alydian. CoinLab asked Alydian to prepay CoinLab as well, so Alydian paid CoinLab \$10,000 on 12/2/12 for this expense. CoinLab did not place it on an invoice until 2/1/13.

# EXHIBIT D

Hon. Karen A. Overstreet  
*Ex Parte*

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In Re: ) Chapter 11  
)  
CLI HOLDINGS, INC. dba ALYDIAN, ) NO. 13-19746  
)  
Debtor. ) EX PARTE MOTION TO  
) SHORTEN TIME

**I. RELIEF SOUGHT**

COMES NOW, CLI HOLDINGS, INC. dba ALYDIAN (“Alydian”) by and through its attorneys, Deirdre Glynn Levin and Keller Rohrback, and seeks that the Court enter an order to shorten time to hear Alydian’s Motion to Approve Bidding Procedures and Sale of Assets under 11 U.S.C § 363. This motion is based on the records and files herein, and on the supporting of Peter Vessenes.

**II. FACTS**

Alydian is seeking an order to sell its assets which consist of bitcoin mining rigs. The market price for bitcoin mining is volatile, and it appears it is trending downwards. *See* Vessenes Declaration. Market prices have dropped significantly. *Id.* The hearing to approve bidding procedures and the sale hearing should be expedited because Bitcoin mining companies

are planning on delivering mining rigs in the first two quarters of 2014 in large numbers. Also, Alydian wants to sell its rigs before these are delivered by competitors, which may afford a better market and a higher price for its assets.

Also, employees are only committed to providing services to Alydian until the end of January 2014. Alydian needs to ensure it has sufficient time to transition the rigs to a purchaser or purchasers while employees are still available to assist with the transition.

## II. ARGUMENT

LBR 9013-1(d)(3)(C) allows the court to shorten time on showing of exigent circumstances. Mr. Vessenes has testified that Alydian needs to sell the assets of this estate. Waiting until the court's next calendar on January 17, 2014 will be a detriment to the estate. The circumstances are clearly exigent. Alydian requests that the Court enter an order shortening time so that its underlying motion may be heard on January 3, 2014 or as soon as possible thereafter.

## III. CONCLUSION

For the reasons stated herein, respectfully, the Court should grant the motion for an order to shorten time to hear the underlying motion. A copy of a proposed order is attached as an exhibit hereto.

DATED this 23rd day of December 2013.

KELLER ROHRBACK L.L.P.

By: /s/Deirdre Glynn Levin

Deirdre Glynn Levin, WSBA #24226  
Attorneys for Alydian

Presented by:

KELLER ROHRBACK L.L.P.

By: /s/Deirdre Glynn Levin

Deirdre Glynn Levin, WSBA #24226  
Attorneys for Debtor CLI Holdings, Inc. dba Alydian